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亞洲能源物流
ASIA ENERGY
 Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED

亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

**ANNOUNCEMENT OF ANNUAL RESULTS
 FOR THE YEAR ENDED 31 DECEMBER 2020**

RESULTS

The board (the “Board”) of directors (the “Directors”) of Asia Energy Logistics Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020, together with the comparative figures for the previous corresponding year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations			
Revenue	5	47,904	44,367
Cost of services		<u>(45,456)</u>	<u>(37,557)</u>
Gross profit		2,448	6,810
Other income	6	2,647	418
Depreciation	7(c)	(3,106)	(3,106)
Staff costs	7(b)	(15,745)	(20,860)
Reversal of impairment loss on consideration receivable		—	600
Impairment loss on amount due from GCGM	13(d)	(3,002)	—
Change in fair value of contingent consideration payable		—	3,700
Change in fair value of financial assets at FVPL		3	(178)
Change in fair value of derivative components of GIC			
Convertible Bonds	16	(11,705)	17,508
Gain on derecognition of a subsidiary	8	11,722	—
Loss on early redemption of the GIC Convertible Bonds, net	16	(882)	—
Loss on early repayment of the 2018 Convertible Bonds	17	(2,235)	—
Gain on early repayment of the 2019 Convertible Bonds	18	1,500	—
Other administrative and operating expenses		(12,529)	(13,386)
Finance costs	7(a)	<u>(17,568)</u>	<u>(21,790)</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Loss before tax from continuing operations	7	(48,452)	(30,284)
Income tax expense	9	<u>—</u>	<u>—</u>
Loss for the year from continuing operations		(48,452)	(30,284)
Discontinued operations			
Profit for the year from discontinued operations	12	<u>159,674</u>	<u>5,426</u>
Profit (Loss) for the year		111,222	(24,858)
Other comprehensive (loss) income			
Exchange reserve released upon derecognition of subsidiaries		(12,502)	—
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		<u>2,903</u>	<u>17,380</u>
		<u>(9,599)</u>	<u>17,380</u>
Total comprehensive income (loss) for the year		<u>101,623</u>	<u>(7,478)</u>
Profit (Loss) attributable to owners of the Company:			
— from continuing operations		(48,452)	(30,284)
— from discontinued operations		<u>159,674</u>	<u>27,225</u>
		<u>111,222</u>	<u>(3,059)</u>
Loss attributable to non-controlling interests:			
— from continuing operations		—	—
— from discontinued operations		<u>—</u>	<u>(21,799)</u>
		<u>—</u>	<u>(21,799)</u>
Total comprehensive income (loss) attributable to:			
— Owners of the Company		101,623	11,146
— Non-controlling interests		<u>—</u>	<u>(18,624)</u>
		<u>101,623</u>	<u>(7,478)</u>
Earnings (Loss) per share attributable to owners of the Company			
Basic and diluted			
— from continuing operations (<i>HK cents</i>)	11	(4.65)	(6.11)
— from discontinued operations (<i>HK cents</i>)	11	<u>15.33</u>	<u>5.50</u>
		<u>10.68</u>	<u>(0.61)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		162,889	203,295
Intangible asset		1,000	1,000
Interest in a joint venture		—	—
Right-of-use assets		<u>2,187</u>	<u>2,325</u>
		<u>166,076</u>	<u>206,620</u>
Current assets			
Trade and other receivables	<i>13</i>	8,007	14,381
Financial assets at FVPL		4,522	7,037
Bank balances and cash		<u>76,754</u>	<u>8,414</u>
		89,283	29,832
Asset classified as held for sale	<i>14</i>	<u>24,858</u>	<u>—</u>
		<u>114,141</u>	<u>29,832</u>
Current liabilities			
Trade and other payables	<i>15</i>	9,603	19,474
GIC Convertible Bonds	<i>16</i>	—	83,301
Amount due to a joint venture		—	151,443
Lease liabilities		<u>1,192</u>	<u>2,474</u>
		<u>10,795</u>	<u>256,692</u>
Net current assets (liabilities)		<u>103,346</u>	<u>(226,860)</u>
Total assets less current liabilities		<u>269,422</u>	<u>(20,240)</u>
Non-current liabilities			
Contingent consideration payable		—	—
2018 Convertible Bonds	<i>17</i>	—	13,814
2019 Convertible Bonds	<i>18</i>	370	26,912
2020 Convertible Bonds	<i>19</i>	21,784	—
Lease liabilities		<u>1,164</u>	<u>—</u>
		<u>23,318</u>	<u>40,726</u>
NET ASSETS (LIABILITIES)		<u>246,104</u>	<u>(60,966)</u>
Capital and reserves			
Share capital	<i>20</i>	1,906,379	1,709,316
Reserves		<u>(1,660,275)</u>	<u>(1,770,282)</u>
TOTAL EQUITY (DEFICITS)		<u>246,104</u>	<u>(60,966)</u>

NOTES

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 Company and its subsidiaries are herein collectively referred to as the “Group”.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 does not constitute the Company’s statutory financial statements for those years but is derived therefrom. Further information relating to the statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“Hong Kong Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2020 in due course.

The Company’s auditor has reported on the consolidated financial statements of the Company for the years ended 31 December 2020 and 2019.

In respect of the year ended 31 December 2020, the auditor’s report:

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

In respect of the year ended 31 December 2019, the auditor’s report:

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

2. 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 of Hong Kong Limited (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	Definition of Material
Amendments to HKFRS 3	Definition of a Business

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.

4. 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

4. SEGMENT INFORMATION (CONTINUED)

Discontinued operations:

- (a) Shipping and logistics (in relation to the operations mentioned in note 12)
- (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 <i>HK\$'000</i>	Shipping and logistics (Continuing operations) <i>HK\$'000</i>	Shipping and logistics (Discontinued operations) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	<u>2,253</u>	<u>45,651</u>	<u>17,325</u>	<u>65,229</u>
Segment (loss) profit	<u>(25)</u>	<u>(31,858)</u>	<u>159,674</u>	<u>127,791</u>
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				<u>(29,249)</u>
Profit for the year				<u>111,222</u>
Other segment information:				
Change in fair value of derivative components of GIC Convertible Bonds	—	(11,705)	—	(11,705)
Depreciation of property, plant and equipment (<i>note</i>)	—	(12,559)	(1,222)	(13,781)
Depreciation of right-of-use assets (<i>note</i>)	—	(190)	—	(190)
Finance costs (<i>note</i>)	—	(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	<u>—</u>	<u>—</u>	<u>174,347</u>	<u>174,347</u>

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Railway construction and operations (Discontinued operations) <i>HK\$'000</i>	Shipping and logistics (Continuing operations) <i>HK\$'000</i>	Shipping and logistics (Discontinued operations) <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
Other segment information:				
Change in fair value of derivative components of GIC Convertible Bonds	—	17,508	—	17,508
Depreciation of property, plant and equipment (<i>note</i>)	(552)	(9,736)	(2,768)	(13,056)
Finance costs (<i>note</i>)	(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.

4. SEGMENT INFORMATION (CONTINUED)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Continuing operations		
Shipping and logistics	177,000	179,183
Telecommunication related business	25,001	—
Discontinued operations		
Shipping and logistics	<u>27,111</u>	<u>32,710</u>
Segment assets	229,112	211,893
Unallocated corporate assets	<u>51,105</u>	<u>24,559</u>
Consolidated total assets	<u>280,217</u>	<u>236,452</u>
Liabilities		
Continuing operations		
Shipping and logistics	7,458	86,600
Telecommunication related business	2,399	—
Discontinued operations		
Shipping and logistics	<u>605</u>	<u>152,693</u>
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	<u>1,497</u>	<u>17,399</u>
Consolidated total liabilities	<u>34,113</u>	<u>297,418</u>

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.

4. SEGMENT INFORMATION (CONTINUED)

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

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

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

5. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations		
<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	<u>2,253</u>	<u>—</u>
	<u>47,904</u>	<u>44,367</u>

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.

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations		
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	—
	<u>2,647</u>	<u>418</u>

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
(a) Finance costs:		
Interest on other borrowings	12	976
Interest on the GIC Convertible Bonds (<i>note 16</i>)	10,611	17,427
Interest on the 2018 Convertible Bonds (<i>note 17</i>)	1,268	2,112
Interest on the 2019 Convertible Bonds (<i>note 18</i>)	2,970	654
Interest on the 2020 Convertible Bonds (<i>note 19</i>)	2,459	—
Interest on lease liabilities	248	621
	<u>17,568</u>	<u>21,790</u>
(b) Staff costs (including directors' remuneration):		
Employee benefits expense	15,482	16,779
Contributions to defined contribution plans	263	351
Equity-settled share-based payment expenses	—	3,730
	<u>15,745</u>	<u>20,860</u>

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS (CONTINUED)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
(c) Other items:		
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 (<i>note 19</i>)	1,569	—
Consultancy fee	2,246	1,353
Cost of services (<i>note</i>)	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")	2,515	2,326
Exchange loss (gain), net	303	(476)
Legal and professional fee	1,558	4,250
	<u>1,558</u>	<u>4,250</u>

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 is also included in the respective total amount disclosed separately in "depreciation of property, plant and equipment".

8. GAIN ON DERECOGNITION OF SUBSIDIARIES

The Group appointed Mr. John Ayres of FTI Consulting BVI Limited as liquidator of Ocean Path Limited ("Ocean Path"), Ocean Jade Investments Limited ("Ocean Jade") and Apex Top Limited ("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 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 were officially liquidated on 21 January 2021 and 4 December 2020 respectively while Ocean Path was officially dissolved on 5 October 2020.

8. GAIN ON DERECOGNITION OF SUBSIDIARIES (CONTINUED)

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

	Ocean Path and Ocean Jade <i>(Note)</i> <i>HK\$'000</i>	Apex Top <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 <i>(note 15(b))</i>	—	(8,372)	(8,372)
Other payables	—	(3,350)	(3,350)
Translation reserve released upon derecognition	<u>(12,502)</u>	<u>—</u>	<u>(12,502)</u>
Net gain on derecognition of subsidiaries	<u>(174,347)</u>	<u>(11,722)</u>	<u>(186,069)</u>

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 12(b).

9. 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.

10. DIVIDENDS

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

11. EARNINGS (LOSS) PER SHARE

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

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

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.

12. 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 held for sale" under current assets. The Vessel was delivered to the buyer on 20 January 2021.

12. DISCONTINUED OPERATIONS (CONTINUED)

(b) Derecognition of Ocean Jade and Ocean Path

In previous years, the Group operated shipping and logistics business in the PRC through the joint venture invested by Ocean Jade. As a result of the derecognition of Ocean Path and Ocean Jade as mentioned in note 8, 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 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		
	Vessel	Ocean Path and	Total
	HK\$'000	Ocean Jade	HK\$'000
		HK\$'000	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	<u>(1,438)</u>	<u>161,112</u>	<u>159,674</u>
			2020
			Vessel
			HK\$'000
Net cash outflows			
Operating activities			<u>(273)</u>

12. DISCONTINUED OPERATIONS (CONTINUED)

	2019			Total HK\$'000
	Railway construction and operations business HK\$'000	Vessel HK\$'000	Ocean Path and Ocean Jade 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	<u>36,011</u>	<u>(12,841)</u>	<u>(17,744)</u>	<u>5,426</u>

	2019		
	Railway construction and operations business HK\$'000	Vessel HK\$'000	Total 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	<u>(1,021)</u>	<u>(7)</u>	<u>(1,028)</u>

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

13. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<i>13(a)</i>		
— Lease income receivables		1,932	—
— Service income receivable		1,188	—
		<u>3,120</u>	<u>—</u>
Other receivables			
Consideration receivable	<i>13(c)</i>	—	9,150
Amount due from GCGM	<i>13(d)</i>	3,002	2,500
Refundable earnest money	<i>13(b)</i>	—	7,566
Other debtors		3,882	2,775
Deposits		449	1,060
Prepayments		556	480
		<u>7,889</u>	<u>23,531</u>
Less:			
Loss allowance on consideration receivable	<i>13(c)</i>	—	(9,150)
Loss allowance on amount due from GCGM	<i>13(d)</i>	(3,002)	—
		<u>4,887</u>	<u>14,381</u>
		<u>8,007</u>	<u>14,381</u>

Notes:

13(a) Trade receivables

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

13(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.

13(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.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

13(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).

14. ASSET CLASSIFIED AS HELD FOR SALE

The Vessel held for sale as mentioned in note 12(a) is measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period as follows:

Asset	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
Property, plant and equipment	<u>29,778</u>	<u>(4,920)</u>	<u>24,858</u>

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.

15. TRADE AND OTHER PAYABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade payables	15(a)	<u>4,157</u>	<u>1,468</u>
Other payables			
Accruals and other payable		4,516	8,223
Amount due to GCGM	15(b)	—	8,373
Receipts in advance		<u>930</u>	<u>1,410</u>
		<u>5,446</u>	<u>18,006</u>
		<u>9,603</u>	<u>19,474</u>

Notes:

15(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.

15. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

15(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 in note 8.

16. GIC CONVERTIBLE BONDS

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

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

On 17 September 2019, the Company and GIC entered into a deed of amendment in relation to the terms of GIC Convertible Bonds pursuant to which (i) the initial conversion price was reduced from HK\$0.8505 per conversion share (after share consolidation as detailed in note 20) to HK\$0.375 per conversion share (after share consolidation as detailed in note 20); 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.

16. GIC CONVERTIBLE BONDS (CONTINUED)

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

	<i>HK\$'000</i>
As at 1 January 2019	71,330
Imputed interest expenses	17,427
Payment of interest expenses	<u>(5,456)</u>
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	<u>1,039</u>
As at 31 December 2020	<u><u>—</u></u>

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

	<i>HK\$'000</i>
As at 1 January 2019	15,157
Fair value gain	<u>(17,508)</u>
As at 31 December 2019 and 1 January 2020	(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	<u>(157)</u>
As at 31 December 2020	<u><u>—</u></u>

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.

17. 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).

17. 2018 CONVERTIBLE BONDS (CONTINUED)

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

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:

	<i>HK\$'000</i>
As at 1 January 2019	12,152
Imputed interest expenses	2,112
Payment of interest expenses	<u>(450)</u>
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	<u>2,235</u>
As at 31 December 2020	<u><u>—</u></u>

18. 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).

18. 2019 CONVERTIBLE BONDS (CONTINUED)

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 20, the conversion price of the 2019 Convertible Bonds has been changed to HK\$0.2885 per share.

On 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:

	<i>HK\$'000</i>
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	<u>(14,769)</u>
Liability component as at the issue date at fair value	26,258
Imputed interest expenses	<u>654</u>
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	<u>(1,500)</u>
As at 31 December 2020	<u><u>370</u></u>

19. 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 had conditionally agreed to subscribe for, and the Company had 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 a 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.

19. 2020 CONVERTIBLE BONDS (CONTINUED)

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.

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:

	Gross amount <i>HK\$'000</i>	Deferred day-one loss <i>HK\$'000</i>	Net amount <i>HK\$'000</i>
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
At 31 December 2020	<u>30,490</u>	<u>(8,706)</u>	<u>21,784</u>

20. SHARE CAPITAL

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

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.

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.

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.

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 16), the 2018 Convertible Bonds (see note 17) and the 2019 Convertible Bonds (see note 18) 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.

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 16, 17 and 18, 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 places at a price of HK\$0.25 per placing share under general mandate in September 2020.

The directors ("Director") 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).

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.

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.

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 places 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 places, 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.

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 places 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.

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 announcement, 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.

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.

2. 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE 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 Corporate Governance Code and Corporate Governance Report, Appendix 14 to the Listing Rules (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 executive directors ("ED"). 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.2.7

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors ("INEDs") and other non-executive directors ("NEDs") should attend 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.

CHANGE IN DIRECTOR SHIP

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

- (i) On 10 February 2020, Mr. Liang Jun resigned as an ED and a member of each of the Remuneration Committee and the Executive Committee of the Company;
- (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, 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 Chairman of Nomination Committee of the Company, was appointed as chairman of Executive Committee of the Company;
- (xi) On 30 October 2020, Mr. Sun Peng was appointed as an ED, member of Executive Committee and member of 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, Mr. Hon Ming Sang was appointed as an INED and a member of the Audit Committee of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (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 (where applicable).

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of this announcement of the Company’s consolidated statements of comprehensive income and financial position and the related notes thereto for the year ended 31 December 2020 have been agreed by the Group’s auditor, Mazars CPA Limited (“Mazars”), to the amounts set out in the Company’s draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

AUDIT COMMITTEE

The Company has an Audit Committee which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, the risk management policies and internal control system of the Group. The Audit Committee currently comprises three INEDs of the Company, namely, Mr. Ng Kwun Wan (Chairman), Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.

The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “AGM”) will be held on 28 May 2021. Details of the AGM are set out in the notice of the AGM which constitutes part of the circular is to be sent to the Company’s shareholders together with the Annual Report. Notice of the AGM and the proxy form will also be available on websites of both The Stock Exchange of Hong Kong Limited and the Company.

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which the period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 24 May 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<https://www.aelg.com.hk>). The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders and made available for review on the same websites in due course.

By Order of the Board
Asia Energy Logistics Group Limited
Pang Yuet
Chairman and Executive Director

Hong Kong, 25 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yuet, Ms. Jian Qing and Mr. Sun Peng; and the independent non-executive directors of the Company are Mr. Ng Kwun Wan, Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.