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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 2021

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 2021, together with the comparative figures for the previous corresponding year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Continuing operations			
Revenue	5	64,708	47,904
Cost of services		(68,307)	(45,456)
Gross (loss) profit		(3,599)	2,448
Other income	6	2,741	2,647
Depreciation	7(c)	(4,942)	(3,106)
Legal and professional fee	7(c)	(3,630)	(4,052)
Motor vehicles expenses	7(c)	(1,604)	(494)
Staff costs	7(b)	(24,831)	(15,745)
Impairment loss on other receivables		–	(3,002)
Change in fair value of financial assets at FVPL		2,733	3
Change in fair value of derivative components of GIC			
Convertible Bonds		–	(11,705)
Gain on derecognition of a subsidiary		–	11,722
Loss on early redemption of the GIC Convertible Bonds, net		–	(882)
Loss on early repayment of the 2018 Convertible Bonds		–	(2,235)
Gain on early repayment of the 2019 Convertible Bonds		–	1,500
Amortisation of deferred day-one loss of the 2020 Convertible Bonds	14	(3,425)	(1,569)
Other administrative and operating expenses		(9,806)	(6,414)
Finance costs	7(a)	(7,077)	(17,568)

	Note	2021 HK\$'000	2020 HK\$'000
Loss before tax from continuing operations	7	(53,440)	(48,452)
Income tax expense	8	—	—
Loss for the year from continuing operations		<u>(53,440)</u>	<u>(48,452)</u>
Discontinued operations			
(Loss) Profit for the year from discontinued operations	10	<u>(1,080)</u>	<u>159,674</u>
(Loss) Profit for the year		<u>(54,520)</u>	<u>111,222</u>
Other comprehensive income (loss)			
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>823</u>	<u>2,903</u>
		<u>823</u>	<u>(9,599)</u>
Total comprehensive (loss) income for the year		<u><u>(53,697)</u></u>	<u><u>101,623</u></u>
(Loss) Profit attributable to owners of the Company:			
– from continuing operations		<u>(52,719)</u>	<u>(48,452)</u>
– from discontinued operations		<u>(1,080)</u>	<u>159,674</u>
		<u><u>(53,799)</u></u>	<u><u>111,222</u></u>
Loss attributable to non-controlling interests:			
– from continuing operations		<u>(721)</u>	<u>—</u>
– from discontinued operations		<u>—</u>	<u>—</u>
		<u><u>(721)</u></u>	<u><u>—</u></u>
Total comprehensive (loss) income attributable to:			
– Owners of the Company		<u>(53,086)</u>	<u>101,623</u>
– Non-controlling interests		<u>(611)</u>	<u>—</u>
		<u><u>(53,697)</u></u>	<u><u>101,623</u></u>
(Loss) Earnings per share attributable to owners of the Company			
Basic and diluted			
– from continuing operations (<i>HK cents</i>)	11	<u>(3.11)</u>	<u>(4.65)</u>
– from discontinued operations (<i>HK cents</i>)	11	<u>(0.06)</u>	<u>15.33</u>
		<u><u>(3.17)</u></u>	<u><u>10.68</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		153,749	162,889
Intangible asset		1,000	1,000
Right-of-use assets		8,520	2,187
Goodwill		1,026	–
		<u>164,295</u>	<u>166,076</u>
Current assets			
Trade and other receivables	12	8,743	8,007
Financial assets at FVPL		28,267	4,522
Bank balances and cash		53,378	76,754
		<u>90,388</u>	<u>89,283</u>
Asset classified as held for sale		–	24,858
		<u>90,388</u>	<u>114,141</u>
Current liabilities			
Trade and other payables	13	15,700	9,603
2019 Convertible Bonds		435	–
Lease liabilities		4,879	1,192
		<u>21,014</u>	<u>10,795</u>
Net current assets		<u>69,374</u>	<u>103,346</u>
Total assets less current liabilities		<u>233,669</u>	<u>269,422</u>
Non-current liabilities			
2019 Convertible Bonds		–	370
2020 Convertible Bonds	14	31,202	21,784
Lease liabilities		4,078	1,164
		<u>35,280</u>	<u>23,318</u>
NET ASSETS		<u>198,389</u>	<u>246,104</u>
Capital and reserves			
Share capital	15	1,906,379	1,906,379
Reserves		(1,713,361)	(1,660,275)
Equity attributable to owners of the Company		<u>193,018</u>	<u>246,104</u>
Non-controlling interests		5,371	–
TOTAL EQUITY		<u>198,389</u>	<u>246,104</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 2021 and 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 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 2020 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 2021 in due course.

The Company’s auditor has reported on the consolidated financial statements of the Company for the years ended 31 December 2021 and 2020.

In respect of the years ended 31 December 2021 and 2020, the auditor’s reports:

- were 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.

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 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 dollar (“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 2020 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 HKAS 39, HKFRSs 4, 7, 9 and 16 *Interest Rate Benchmark Reform – Phase 2*
Amendments to HKFRS 16 *Covid-19-Related Rent Concessions Beyond 30 June 2021*

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings and therefore the comparative information has not been restated.

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) Telecommunications related business
- (b) Shipping and logistics

Discontinued operations:

- (a) Shipping and logistics (in relation to the operations mentioned in note 10)

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

Year ended 31 December 2021	(Continuing operations)		(Discontinued operations)	Total HK\$'000
	Telecommunications related business HK\$'000	Shipping and logistics HK\$'000	Shipping and logistics HK\$'000	
Segment revenue from external customers	18,706	46,002	457	65,165
Segment loss	(7,721)	(23,302)	(1,080)	(32,103)
Unallocated income				1,077
Change in fair value of financial assets at FVPL				2,733
Other unallocated corporate expenses				(26,227)
Loss for the year				(54,520)
Other segment information:				
Depreciation of property, plant and equipment	(16)	(14,553)	-	(14,569)
Depreciation of right-of-use assets (note)	(1,500)	(1,141)	-	(2,641)
Finance costs (note)	(121)	(219)	-	(340)
Additions of property, plant and equipment	21	5,095	-	5,116

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	(Continuing operations)		(Discontinued operations)	Total HK\$'000
	Telecommunications related business HK\$'000	Shipping and logistics HK\$'000	Shipping and logistics 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
Other segment information:				
Change in fair value of derivative components of GIC Convertible Bonds	-	(11,705)	-	(11,705)
Depreciation of property, plant and equipment	-	(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 other receivables	-	(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

Note: Depreciation of right-of-use assets excluded from the measure of segment results during the years ended 31 December 2021 and 2020 amounted to approximately HK\$1,598,000 and HK\$2,325,000 respectively.

Finance costs excluded from the measure of segment results during the years ended 31 December 2021 and 2020 amounted to approximately HK\$6,737,000 and HK\$6,906,000 respectively.

4. SEGMENT INFORMATION (CONTINUED)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets		
Continuing operations		
Shipping and logistics	158,800	177,000
Telecommunications related business	39,775	25,001
Discontinued operations		
Shipping and logistics	–	27,111
Segment assets	198,575	229,112
Unallocated corporate assets	56,108	51,105
Consolidated total assets	254,683	280,217
Liabilities		
Continuing operations		
Shipping and logistics	9,632	7,458
Telecommunications related business	8,091	2,399
Discontinued operations		
Shipping and logistics	–	605
Segment liabilities	17,723	10,462
2019 Convertible Bonds	435	370
2020 Convertible Bonds	31,202	21,784
Other unallocated corporate liabilities	6,934	1,497
Consolidated total liabilities	56,294	34,113

Geographical information

Apart from the vessels and goodwill, approximately HK\$5,171,000 and HK\$4,606,000 of the Group's non-current assets are located in Hong Kong and the PRC respectively.

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 telecommunications related business based on locations of customers is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC	18,706	2,253

4. SEGMENT INFORMATION (CONTINUED)

Information about major customers

No revenue from any customer from telecommunications related business segment individually accounted for 10% or more of the Group's revenue for the year ended 31 December 2021 (2020: Nil).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Shipping and logistics		
Customer A	<u>46,002</u>	<u>45,651</u>

5. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
<i>Operating lease income</i>		
Charter-hire income	46,002	45,651
<i>Revenue from contract with customers within HKFRS 15</i>		
Telecommunications service income	<u>18,706</u>	<u>2,253</u>
	<u>64,708</u>	<u>47,904</u>

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

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Loan interest income	–	476
Bank interest income	74	1
Subsidy income under Employment Support Scheme	–	972
Gain on disposal of property, plant and equipment	–	120
Gain on disposal of financial assets at FVPL	1,077	22
Recharge of expenses to charter parties	683	645
Claims from insurance company	762	–
Sundry income	<u>145</u>	<u>411</u>
	<u>2,741</u>	<u>2,647</u>

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
(a) Finance costs:		
Interest on other borrowings	231	12
Interest on the GIC Convertible Bonds	–	10,611
Interest on the 2018 Convertible Bonds	–	1,268
Interest on the 2019 Convertible Bonds	77	2,970
Interest on the 2020 Convertible Bonds (<i>note 14</i>)	5,993	2,459
Interest on lease liabilities	776	248
	<u>7,077</u>	<u>17,568</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(b) Staff costs (including directors' remuneration):		
Employee benefits expense	23,381	15,482
Contributions to defined contribution plans	1,450	263
	<u>24,831</u>	<u>15,745</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(c) Other items:		
Auditor's remuneration		
Annual audit	1,080	1,000
Non-annual audit	150	729
Cost of services (<i>note</i>)	68,307	45,456
Depreciation of property, plant and equipment	14,569	12,559
Depreciation of right-of-use assets	4,239	2,515
Exchange loss, net	183	303
Legal and professional fee	3,630	4,052
Motor vehicles expenses	1,604	494
	<u>1,604</u>	<u>494</u>

Note: Cost of services for continuing operations includes depreciation of property, plant and equipment of approximately HK\$13,866,000 (2020: HK\$11,968,000) which amount is also included in the respective total amount disclosed separately in “depreciation of property, plant and equipment”.

8. TAXATION

Hong Kong Profits Tax, if any, is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the year. The PRC enterprise income tax has been provided at the rate of 25% (2020: 25%) 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 2021 and 2020.

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

10. DISCONTINUED OPERATIONS

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 as at 31 December 2020. The Vessel was delivered to the buyer on 20 January 2021.

The management considers that the disposal of the Vessel, which are previously grouped under shipping and logistics segment, and derecognition of Ocean Path Limited (“Ocean Path”) and Ocean Jade Investments Limited (“Ocean Jade”) in 2020 constituted discontinued operations during the year ended 31 December 2020. The results and net cash flows of the discontinued operations for the years ended 31 December 2021 and 2020 are summarised as follows:

	2021 Vessel HK\$'000
Revenue	457
Cost of services	(1,541)
Other income	114
Operating costs	(110)
	<hr/>
Loss before tax	(1,080)
Taxation	–
	<hr/>
Loss after tax from discontinued operations	(1,080)
	<hr/> <hr/>
	2021 Vessel HK\$'000
Net cash (outflows) inflows	
Operating activities	1,806
Investing activities	(1,934)
	<hr/>
Total cash outflows	(128)
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10. DISCONTINUED OPERATIONS (CONTINUED)

	Vessel <i>HK\$'000</i>	2020 Ocean Path and Ocean Jade <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
	<hr/>	<hr/>	<hr/>
Loss before tax	(1,438)	(13,235)	(14,673)
Taxation	–	–	–
	<hr/>	<hr/>	<hr/>
Loss after tax from discontinued operations	(1,438)	(13,235)	(14,673)
Gain on derecognition of subsidiaries	–	174,347	174,347
	<hr/>	<hr/>	<hr/>
(Loss) Profit attributable to discontinued operations	<u>(1,438)</u>	<u>161,112</u>	<u>159,674</u>

	2020 Vessel <i>HK\$'000</i>
Net cash outflows	
Operating activities	<u>(273)</u>

There was no cash movement in relation to the discontinued operations of Ocean Path and Ocean Jade for year ended 31 December 2020.

11. (LOSS) EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss) Profit attributable to owners of the Company		
– Continuing operations	(52,719)	(48,452)
– Discontinued operations	(1,080)	159,674
	<hr/>	<hr/>

11. (LOSS) EARNINGS PER SHARE (CONTINUED)

	2021	2020
Weighted average number of ordinary shares for basic and diluted (loss) earnings per share	<u>1,694,975,244</u>	<u>1,041,587,266</u>
(Loss) Earnings per share		
Basic and diluted		
– Continuing operations (<i>HK cents</i>)	(3.11)	(4.65)
– Discontinued operations (<i>HK cents</i>)	<u>(0.06)</u>	<u>15.33</u>
	<u>(3.17)</u>	<u>10.68</u>

Diluted (loss) earnings per share for the years ended 31 December 2021 and 2020 is same as the basic (loss) earnings per share. The calculation of diluted (loss) earnings per share for the years ended 31 December 2021 and 2020 does not assume the conversion of the Company's outstanding convertible instruments since the conversion would result an anti-dilutive effect on the basic (loss) earnings per share.

12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<i>12(a)</i>		
– Lease income receivable		–	1,932
– Service income receivable		<u>3,078</u>	<u>1,188</u>
		<u>3,078</u>	<u>3,120</u>
Other receivables			
Other debtors		5,715	6,884
Deposits		2,125	449
Prepayments		<u>827</u>	<u>556</u>
		<u>8,667</u>	<u>7,889</u>
Less:			
Loss allowance on other receivables		<u>(3,002)</u>	<u>(3,002)</u>
		<u>5,665</u>	<u>4,887</u>
		<u>8,743</u>	<u>8,007</u>

12(a) Trade receivables

As at 31 December 2021, all trade receivables aged within 30 days, based on the invoice date. (2020: 180 days).

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<i>13(a)</i>	8,782	4,157
Other payables			
Accruals and other payable		3,615	4,516
Receipts in advance		1,059	930
Other borrowings from a regulated securities broker	<i>13(b)</i>	2,244	–
		6,918	5,446
		15,700	9,603

13(a) Trade payables

The credit period of trade payables is normally within 90 days (2020: 90 days). As at 31 December 2021 and 2020, all trade payables was aged within 30 days, based on the invoice date.

13(b) Other borrowings from a regulated securities broker

As at 31 December 2021, the other borrowings from a regulated securities broker are secured by securities listed in Hong Kong of HK\$28,267,000 and repayable on demand, bear interest at rate of 10% per annum.

14. 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 (the “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.

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 during both years.

14. 2020 CONVERTIBLE BONDS (CONTINUED)

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 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 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	28,031	(10,275)	17,756
Imputed interest expenses	2,459	–	2,459
Amortisation of deferred day-one loss	–	1,569	1,569
	<hr/>	<hr/>	<hr/>
As at 31 December 2020 and 1 January 2021	30,490	(8,706)	21,784
	<hr/>	<hr/>	<hr/>
Imputed interest expenses	5,993	–	5,993
Amortisation of deferred day-one loss	–	3,425	3,425
	<hr/>	<hr/>	<hr/>
As at 31 December 2021	36,483	(5,281)	31,202
	<hr/>	<hr/>	<hr/>

15. SHARE CAPITAL

	2021		2020	
	<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	1,694,975,244	1,906,379	495,975,244	1,709,316
Subscription shares issued on subscription, net of issue costs (<i>note a</i>)	–	–	1,100,000,000	172,930
Shares issued on placing, net of issue costs (<i>note b</i>)	–	–	99,000,000	24,133
	<u>1,694,975,244</u>	<u>1,906,379</u>	<u>1,694,975,244</u>	<u>1,906,379</u>
As at 31 December	1,694,975,244	1,906,379	1,694,975,244	1,906,379

Note a: 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 b: 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 business and (ii) telecommunications related business in the People's Republic of China ("PRC").

Continuing Operations

Shipping and Logistics

The Group currently operates a fleet of two dry bulk carriers trading worldwide. The total carrying capacity of the Group's dry bulk fleet is about 64,000 DWT (2020: about 64,000 DWT).

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

Despite the boom in the Baltic Dry Index (BDI) in 2021, the Group did not benefit from it as the charter rates for the Group's fleet were fixed. Meanwhile, under the COVID-19 pandemic, countries have implemented strict quarantine measures and the relevant measures led to a substantial increase in crew costs during the crew replacement, including salaries, accommodation and traveling, etc. As a result, a gross loss of approximately HK\$5,314,000 was recorded in 2021.

For the year under review, the Group recorded a revenue of approximately HK\$46,002,000 (2020: approximately HK\$45,651,000), representing an increase of approximately 1% as compared to the corresponding period of 2020. The gross loss was approximately HK\$5,314,000 (2020: gross profit of approximately HK\$2,471,000), representing a decrease of approximately 315% as compared to the same period of 2020. The decrease in gross profit was due to the increase in the crew costs and the repair and maintenance.

Telecommunications Related Business

The Group completed the acquisition of an SMS business via Beishang Limited from an independent third party at a consideration of HK\$10 million in May 2021. For the year under review, the SMS business contributed revenue of approximately HK\$18,706,000 and gross profit of approximately HK\$1,715,000 to the Group.

Discontinued Operations

The Group had started its shipping business in the PRC in May 2010 through the joint venture company (the "JV Company" and together with its subsidiaries, the "JV Group"). The JV Group had two handysize vessels with carrying capacity of approximately 35,000 DWT each operating in the PRC domestic shipping market.

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 business, the investment in the JV Group no longer served as a viable business opportunity with a profitable prospect for the Group. The 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 (the "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 logistics business 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 the JV Liquidation, the Group had lost control over Ocean Path and Ocean Jade and as a result, the JV Group was derecognised in the consolidated financial statements during the year ended 31 December 2020. The JV Liquidation was then completed in January 2021.

In addition, the Group also 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) in January 2021. Accordingly, the result of MV Asia Energy was accounted for as discontinued operation for the years ended 31 December 2021 and 2020.

PROSPECTS

Shipping and Logistics

The management of the Company expects that the shipping and logistics business will generate positive contributions in the upcoming year because the charter contracts of the two vessels will be renewed at the market rate which is expected to be higher than the current rates. The Group has negotiated with the potential charterers in respect of the coming charters of the two vessels since the fourth quarter of 2021. The Company expects that the new charter rate would be significantly increased if the current market conditions could be maintained until the materialization of the new charter contracts.

The Company has also been in the process of identifying potential target vessels, including obtaining lists of potential target vessels from shipbroker, assessing their specification and discussing the related financing with the banks for the acquisition of an additional vessel in order to enhance its carrying capacity.

Telecommunications Related Business

In May 2021, the chatbot “Translation i” developed by the Group was awarded in the 5G Messaging Chatbot Innovation and Development Competition jointly organized by China Unicom and China Telecom. The management expects that “Translation i” will bring positive revenue contributions to the Group upon the commercialization of 5G messaging in the near future, and also enhance its competitive advantage of the basic value-added telecommunications businesses at the same time.

In July 2021, the 5G mobile communication base stations developed by the Group obtained the Radio Transmission Equipment Type Approval Certificates and Network Access Licence issued by the Ministry of Industry and Information Technology of the PRC, and their signal frequency range covers China Mobile, which is mainly used for voice and data communication and provide with wireless coverage, to realize wireless signal transmission between wired communication networks and wireless terminals and support independent networking and other functions. The Group will

continue to provide customers with highly competitive communication products with keen market insight, leading technology and comprehensive services to meet the rapidly growing market demand and achieve common development with users.

The directors will continuously look for opportunities to expand its fleet size by acquiring vessels and other suitable investments, which will bring in synergy with and positive contributions to the existing businesses.

FINANCIAL REVIEW

For the year under review, the revenue from continuing operations of the Group was approximately HK\$64,708,000 (2020: approximately HK\$47,904,000), representing an increase of approximately 35% as compared to 2020. The increase in revenue was mainly contributed by the SMS business which was acquired during the year.

The Group recorded a loss from continuing operations for the year under review of approximately HK\$53,440,000 (2020: approximately HK\$48,452,000) representing an increase of approximately 10% as compared to 2020. The increase in loss from continuing operations was mainly attributable to (i) the increase in crew costs and staff costs, (ii) the increase in repair and maintenance of the vessels, (iii) the decrease in finance costs and (iv) the absence of change in the fair value of derivative components of the convertible bonds resulting from the repayment of the convertible bonds in July 2020 and the gain on derecognition of a subsidiary. The loss for the year under review of the Group amounted to approximately HK\$54,520,000 (2020: a gain of approximately HK\$111,222,000), representing a decrease of approximately 149% as compared to 2020 mainly due to a gain of HK\$174,347,000 on discontinued operations as a result of the liquidation of certain subsidiaries in 2020.

For the year under review, the basic and diluted loss per share from continuing operations was HK3.11 cents (2020: HK4.65 cents) whilst the basic and diluted loss per share from discontinued operations was HK0.06 cents (2020: HK15.33 cents earnings per share).

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2021, the Group had:

1. Cash and bank balances of approximately HK\$53,378,000 (2020: approximately HK\$76,754,000);
2. Non-bank borrowings representing convertible bonds having an aggregate carrying amounts of approximately HK\$31,637,000 (2020: approximately HK\$22,154,000);
3. Total equity attributable to owners of the Company of approximately HK\$193,018,000 (2020: approximately HK\$246,104,000);
4. Net current assets of approximately HK\$69,374,000 (2020: approximately HK\$103,346,000); and
5. Current ratio (being current assets over current liabilities) of approximately 430% (2020: approximately 1,057%).
6. Gearing ratio (being total debt divided by total equity) of approximately 28% (2020: approximately 14%).

Share Capital

In 2020, upon the subscription, the Company i) issued a total of 1,100,000,000 shares at a subscription price of HK\$0.16 per 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 shares at a placing price of HK\$0.25 per share.

As at 31 December 2021, there were 1,694,975,244 Shares in issue (2020: 1,694,975,244 shares).

Capital Commitments

As at 31 December 2021, the Group had no capital commitment (2020: Nil).

Exposure to Fluctuation in Exchange Rates

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

USE OF NEW PROCEEDS

1. As at 31 December 2021, the utilization of the net proceeds amounting to approximately HK\$222,000,000 raised from the subscription is set out below:

Intended Uses	Allocation	Utilization as at	Utilization	Remaining
	<i>HK\$ million</i>	31 December	during	Balance
		2020	the year ended	
		<i>HK\$ million</i>	31 December	<i>HK\$ million</i>
			2021	
			<i>HK\$ million</i>	
Repayment of the GIC CB, the 2018 CB and the 2019 CB	169	169	–	–
General working capital of the Group	20	–	20	–
Further acquisition of vessel or potential business development	33	–	16	17
Total	222	169	36	17

2. As at 31 December 2021, the utilization of the net proceeds amounting to approximately HK\$24,000,000 raised from the placing in 2020 is set out below:

Intended Uses	Allocation	Utilization as at	Utilization	Remaining
	<i>HK\$ million</i>	31 December	during	Balance
		2020	the year ended	
		<i>HK\$ million</i>	31 December	<i>HK\$ million</i>
			2021	
			<i>HK\$ million</i>	
Further acquisition of vessel	24	–	–	24
Total	24	–	–	24

The Group is in the process of identifying potential target vessels suitable for its proposed acquisition. However, the price of vessels available for sale in the market has fluctuated as indicated by BDI that which has risen by over 90%, of which the highest point has risen by over 400% since the beginning of 2021.

The Company has been careful in considering the price of available dry bulk vessels in the market, as well as the location of the potential target vessels in the market. The COVID-19 pandemic has also contributed to the time the Company needs in identifying suitable acquisition targets due to the impacts caused to the shipping industry. The impacts include (i) feasibility of vessels inspection, (ii) the closure of ports/borders for crew changes and (iii) the travelling restrictions imposed on vessel crews. The Company has been in close watch of the market conditions, including but not limited to the price of vessels and the available ports for crew changes and the vessel acquisition will only materialise in the best interest of the Company should an acquisition opportunity arises. It is expected that the remaining balance of the above new proceeds would be utilized by 2022.

Being mindful of the unforeseen circumstances and the market changes, the Directors consider that the extension of the expected timeline for full utilization of the above new proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole.

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 Rule (the "CG Code").

Throughout the year ended 31 December 2021, the Company complied with the applicable CG Code and principles, save for the deviations specified and explained below.

Code Provision C.2.1

The post of chief executive of the Company has remained vacant since March 2009. The duties of chief executive 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 chief executive did not have any material impact on the operations of the Group. Nevertheless, the Board will review the current structure from time to time and if a candidate with suitable knowledge, skill and experience is identified, the Board will make an appointment to fill the post of chief executive as appropriate.

Code Provision F.2.2

Code provision F.2.2 stipulates that the Chairman should attend the AGM. Mr. Pang Yuet, the Chairman and an ED was absent from the 2021 annual general meeting due to other business engagements.

CHANGE IN DIRECTORSHIP

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

- (i) On 1 July 2021, Ms. Jian Qing resigned as an ED and a member of the Executive Committee of the Company; and
- (ii) On 7 July 2021, Mr. Hui Wai was appointed as an ED and a member of the Executive 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 2021.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: 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 2021 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 and consequently no opinion or assurance conclusion 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 independent non-executive directors 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 2021 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 27 May 2022. 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, 24 May 2022 to Friday, 27 May 2022 (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, 23 May 2022.

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 2021 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, 18 March 2022

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