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 2019

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"), together with its joint venture for the year ended 31 December 2019, together with the comparative figures for the previous corresponding year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000* (re-presented)
Continuing operations			
Revenue	*6*	**61,072**	50,669
Cost of sales		**(52,990)**	(39,173)
Gross profit		**8,082**	11,496
Other income		**594**	477
Depreciation	*7(c)*	**(3,106)**	(1,286)
Staff costs	*7(b)*	**(20,860)**	(37,194)
Reversal of impairment loss (Impairment loss) on consideration receivable	*14(b)*	**600**	(9,750)
(Impairment loss) Reversal of impairment loss on property, plant and equipment		**(13,731)**	9,000
Change in fair value of contingent consideration payable		**3,700**	4,228
Change in fair value of financial assets at FVPL		**(178)**	—
Change in fair value of derivative components of GIC Convertible Bonds	*17*	**17,508**	(12,939)
Change in fair value of derivative components of convertible notes		**—**	(4)
Change in fair value of options/commitment to issue convertible notes		**—**	(16)
Share of results of joint venture		**(17,712)**	(24,754)
Other operating expenses		**(13,976)**	(21,800)
Finance costs	*7(a)*	**(21,790)**	(14,115)

	Note	2019 HK$'000	2018 HK$'000 (re-presented)
Loss before tax from continuing operations	*7*	**(60,869)**	(96,657)
Income tax expense	*8*	**—**	—
Loss for the year from continuing operations		**(60,869)**	(96,657)
Discontinued operations			
Profit (Loss) for the year from discontinued operations	*13*	**36,011**	(72,118)
Loss for the year		**(24,858)**	(168,775)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		**17,380**	10,924
Total comprehensive loss for the year		**(7,478)**	(157,851)
Loss attributable to owners of the Company:			
— from continuing operations		**(60,869)**	(96,657)
— from discontinued operations		**57,810**	(41,902)
		(3,059)	(138,559)
Loss attributable to non-controlling interests:			
— from continuing operations		**—**	—
— from discontinued operations		**(21,799)**	(30,216)
		(21,799)	(30,216)
Total comprehensive loss attributable to:			
— Owners of the Company		**11,146**	(132,129)
— Non-controlling interests		**(18,624)**	(25,722)
		(7,478)	(157,851)
(Loss) Earnings per share attributable to owners of the Company			
Basic and diluted			
— from continuing operations (HK cents)	*10*	**(12.27)**	(20.61)
— from discontinued operations (HK cents)	*10*	**11.66**	(8.93)
		(0.61)	(29.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**203,295**	211,457
Intangible asset		**1,000**	1,000
Construction in progress	*11*	—	1,598,782
Railway construction prepayment	*12*	—	4,775
Interest in a joint venture		—	—
Right-of-use assets		**2,325**	—
Deposits paid for acquisition of property, plant and equipment		—	2,610
		206,620	1,818,624
Current assets			
Trade and other receivables	*14*	**14,381**	32,076
Financial assets at FVPL		**7,037**	—
Bank balances and cash		**8,414**	18,456
		29,832	50,532
Current liabilities			
Trade and other payables	*15*	**19,474**	154,669
Bank and other borrowings		—	1,647,783
GIC Convertible Bonds	*16*	**83,301**	—
Amount due to a joint venture		**151,443**	143,411
Amounts due to minority equity owners of subsidiaries		—	8,348
Lease liabilities		**2,474**	—
		256,692	1,954,211
Net current liabilities		**(226,860)**	(1,903,679)
Total assets less current liabilities		**(20,240)**	(85,055)
Non-current liabilities			
Contingent consideration payable		—	3,700
GIC Convertible Bonds	*16*	—	71,330
Derivative components of GIC Convertible Bonds	*17*	—	15,157
2018 Convertible Bonds	*18*	**13,814**	12,152
2019 Convertible Bonds	*19*	**26,912**	—
		40,726	102,339
NET LIABILITIES		**(60,966)**	(187,394)
Capital and reserves			
Share capital	*20*	**1,709,316**	1,709,316
Reserves		**(1,770,282)**	(1,769,240)
Equity attributable to owners of the Company		**(60,966)**	(59,924)
Non-controlling interests		—	(127,470)
TOTAL DEFICITS		**(60,966)**	(187,394)

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 2404, 24/F., Wing On Centre, 111 Connaught Road Central, Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results for the year ended 31 December 2019 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 2018 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 2019 in due course.

The Company's auditor has reported on the consolidated financial statements of the Company for the years ended 31 December 2019 and 2018.

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.

In respect of the year ended 31 December 2018, the auditor's report:

- was 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
- contained 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 requirements under the Listing Rules.

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

3. ADOPTION OF NEW/REVISED HKFRSs

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

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

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

HKFRS 16: Leases

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

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

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

As lessee

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

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

As lessee — leases previously classified as operating leases

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

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

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

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

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

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

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

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

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

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

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

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

As lessee

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

As lessor

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

4. GOING CONCERN BASIS

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

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

Fund raising activities

During the year ended 31 December 2018, the Company had successfully raised a total amount of HK$218,000,000 by ways of issuance of convertibles bonds and placing of new shares. During the year, the Company had successfully issued 2019 Convertible Bonds (as defined in note 19) for gross cash proceeds of HK$42,500,000. The proceeds were mainly applied for general working capital of the Group. The directors believe that the Group would be able to raise sufficient funds to meet its obligation as and when necessary.

Obligations arising from the joint venture

The Group and the joint venture partner had preliminary discussions and concluded the mutual intention on withholding enforcement of the Group's obligations under a shareholders' agreement to acquire the two remaining vessels until the Group's financial position is improved and the shipping market recovers to a level which justifies the acquisition of the two remaining vessels or otherwise discharge the Group's obligations to acquire the two remaining vessels.

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

GIC Convertible Bonds

The conversion price of the GIC Convertible Bonds (as defined in note 16) was adjusted from HK$0.8505 per conversion share to HK$0.375 per conversion share. The directors believe that it could provide more incentive to GIC Investment Limited ("GIC"), the bondholder of the GIC Convertible Bonds, to hold the GIC Convertible Bonds until its maturity and to reduce the possibility for GIC to exercise its right to request for early redemption of the GIC Convertible Bonds. Even if GIC exercises its right of early redemption, the directors are confident that, after considering possible additional financial resources through vessel mortgages which are under discussion, the Company will have sufficient financial resources to meet its obligations.

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

5. SEGMENT INFORMATION

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

(a) Railway construction and operations

(b) Shipping and logistics

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

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

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

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

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

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

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

Geographical information

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

Geographical segment information of the Group's revenue is not presented as the directors consider that the nature of the provision of shipping and logistics services, which are carried out internationally, preclude a meaningful allocation of operating results to specific geographical segments.

Information about major customers

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

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

6. REVENUE

Revenue represents the amount received and receivable for time charters:

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

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

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
Continuing operations		
(a) Finance costs:		
Interest on other borrowings	**976**	1,230
Interest on GIC Convertible Bonds *(Note 16)*	**17,427**	12,601
Interest on 2018 Convertible Bonds *(Note 18)*	**2,112**	283
Interest on 2019 Convertible Bonds *(Note 19)*	**654**	—
Interest on convertible notes	**—**	1
Interest on lease liabilities	**621**	—
	21,790	14,115

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
(b) Staff costs (including directors' remuneration):		
Employee benefits expense	**16,779**	17,029
Contributions to defined contribution plans	**351**	437
Equity-settled share-based payment expenses	**3,730**	19,728
	20,860	37,194

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
(c) Other items:		
Auditor's remuneration		
Annual audit	**1,100**	1,200
Non-annual audit	**810**	164
Cost of sales *(Note)*	**52,990**	39,173
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative expenses", as appropriate)	**13,284**	8,241
Depreciation of right-of-use assets (charged to "administrative expenses")	**2,326**	—
Exchange gain, net	**(476)**	(484)
Bad debts written off	**345**	—
Operating lease charges for premises	**—**	2,267

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

8. TAXATION

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

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

9. DIVIDENDS

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

10. EARNINGS (LOSS) PER SHARE

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

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

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

The weighted average number of ordinary shares for the year ended 31 December 2019 is calculated after adjustment for the share consolidation on 19 August 2019 as disclosed in note 20.

Diluted earnings (loss) per share for the years ended 31 December 2019 and 2018 is same as the basic earnings (loss) per share. The calculation of diluted earnings (loss) per share for the years ended 31 December 2019 and 2018 does not assume (i) the conversion of the Company's outstanding convertible instruments; (ii) the exercise of the Company's outstanding share options; and (iii) 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.

11. CONSTRUCTION IN PROGRESS

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

Construction in progress and railway construction prepayment represent railway construction costs and related prepaid construction costs (note 12) of a railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省) in the PRC. These items were disposed of upon completion of the VSD.

12. RAILWAY CONSTRUCTION PREPAYMENT

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

13. DISCONTINUED OPERATIONS

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

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

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

14. TRADE AND OTHER RECEIVABLES

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

14(a) Trade receivables

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

14(b) Consideration receivable

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

14(c) Amount due from GCGM

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

14(d) Refundable earnest money

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

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

15. TRADE AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables	*15(a)*	**1,468**	2,392
Other payables			
Accruals and other payable		**8,223**	24,887
Amount due to GCGM	*15(b)*	**8,373**	—
Construction cost payables		**—**	126,303
Receipts in advance		**1,410**	1,087
		18,006	152,277
		19,474	154,669

15(a) Trade payables

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

15(b) Amount due to GCGM

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

16. GIC CONVERTIBLE BONDS

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

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

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

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

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

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

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

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

17. DERIVATIVE COMPONENTS OF GIC CONVERTIBLE BONDS

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

The fair value of the derivative components of GIC Convertible Bonds was estimated by an independent professional valuer using Binomial Option Pricing Model at the date of issue and at the end of the reporting period, which is categorised as Level 3 fair value measurement. During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

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

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

18. 2018 CONVERTIBLE BONDS

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

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

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

After the share consolidation completed on 19 August 2019 (note 20), the conversion price of the 2018 Convertible Bonds has been changed to HK$0.466 per share.

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

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

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

19. 2019 CONVERTIBLE BONDS

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

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

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

After the share consolidation completed on 19 August 2019 as detailed in note 20, the conversion price of the 2019 Convertible Bonds has been changed to HK$0.2885 per share.

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

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

20. SHARE CAPITAL

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

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

21. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Authorised and contracted for		
— Railway construction and operations	**—**	257,402
— Shipping and logistics	**—**	2,136
	—	259,538

BUSINESS REVIEW

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

Discontinued Operations

Railway Construction and Operations

The Group started its investment in railway construction and operations in July 2009 through the acquisition of 100% equity interest in Gofar Holdings Limited ("Gofar"), which via its indirect wholly owned subsidiary, namely, China Railway Logistic Holdings Limited ("China Railway"), indirectly held a 62.5% equity interest in each of 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company") and 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company"), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively the "Railway Companies"). The business scope of the Railway Companies consists of the construction and operation of a 121.7 kilometer single track railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province (河北省), namely, Tangshan City (唐山市) and Chengde City (承德市), in the PRC.

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, the construction progress had been obstructed significantly owing to contingent circumstances. With a view to resuming the construction of the Zunxiao Railway, the Company's management paid numerous visits to the local governments to promote the settlement of the overlaid mine and expressed the Company's strong determination to resume the construction of the Zunxiao Railway.

As previously disclosed, the outstanding issue which caused the prolonged delay of the construction related mainly to the assessment of the scope of compensation payable to the overlaid mine owner (the "Mine Owner"). Upon various negotiations with the Mine Owner, the Group had entered into a joint appointment letter with the Mine Owner in 2018, pursuant to which, both parties agreed to engage an independent valuer to assess the reserve of the iron ore, assets and value of the overlaid mine, which would form the basis for determining the compensation amount payable to the Mine Owner. The preliminary assessment of the iron ore reserve of the mine conducted by the independent valuer was completed by end of 2018.

However, on 29 January 2019, the Board received a report from China Railway enclosed with a copy of an urgent letter of request dated 28 January 2019 ("Letter of Request") jointly issued by the Railway Companies. In the Letter of Request, the Railway Companies requested China Railway to pay in February 2019 the proportional contribution to the anticipated increase of the respective registered capital of the Railway Companies in an aggregate amount of RMB417 million. The Board carefully assessed the available resources of the Company and came to a view that the Company did not have sufficient resources to satisfy such request within the prescribed timeframe. In view of the funding level and financial position of the Group, the Board had considered various alternatives, including the restructuring of the Company's indirect equity interest in the Railway Companies and/or disposal of such equity interest, which would constitute a very substantial disposal ("VSD") of the Company.

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

Continuing Operations

Shipping and Logistics

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

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

The JV Group

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

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

Pursuant to the joint venture agreement entered into on 1 December 2009 (as amended by a supplemental agreement dated 1 December 2009) (collectively, the "JV Agreement") among the parties to the JV Agreement, a total of four vessels are to be acquired. However, due to the continuing poor shipping market conditions for the past few years, the JV Group had not made further acquisition of the remaining two vessels as planned. The Group discussed with its joint venture partner and reached a mutual understanding to withhold enforcement of or otherwise discharge the Group's financial obligations under the JV Agreement to acquire the two remaining vessels until the Group's financial position has improved and the shipping market recovers to a more sustainable level which justifies such further acquisition.

Own Vessels

The Group currently operates a fleet of three dry bulk carriers trading worldwide. The total carrying capacity of the Group's dry bulk fleet is approximately 92,000 DWT (2018: approximately 92,000 DWT).

The Company acquired and took deliveries of MV Clipper Selo and MV Clipper Panorama in April 2018 and both vessels were then chartered out and started generating revenue immediately after their deliveries.

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

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

PROSPECTS

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

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

Despite the uncertainties caused by the trade war and its potential adverse impact on the shipping market, the management of the Company expects that the Group's shipping and logistics business will continue generating positive contribution in the upcoming year as all three vessels are on charter contracts which will run until the end of 2020.

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

FINANCIAL REVIEW

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

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

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

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

Liquidity, Financial Resources and Gearing Ratio

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

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

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

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

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

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

Share Capital

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

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

Contingent Liabilities

During the year, GCHL had provided a guarantee to a bank in respect of the bank borrowings facilities, in aggregate, up to approximately RMB1,033 million (equivalent to approximately HK$1,179 million), granted to certain former non-wholly owned subsidiaries of the Company in the PRC, which have engaged in railway construction and operations. In return for GCHL's guarantee, the Group provided a counter-indemnity to indemnify GCHL to the extent of the percentage of equity interest held by the Group in each of the subsidiaries of up to approximately RMB602 million (equivalent to approximately HK$687 million) (the "Counter-Indemnity") and a share mortgage of its shareholding in China Railway, a former indirect wholly-owned subsidiary of the Company, and equity and asset pledges of China Railway's subsidiaries in favour of GCHL (the "Share Mortgage"). Following the completion of the disposal of the entire issued share capital of China Railway on 27 November 2019, the Counter-Indemnity and the Share Mortgage had been released on the same date.

Capital Commitments

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

Exposure to Fluctuation in Exchange Rates

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

FUNDRAISING ACTIVITIES

Convertible Bonds

(1) GIC Convertible Bonds

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

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

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

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

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

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

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

(2) 2018 Convertible Bonds

On 4 September 2018, the Company entered into a placing agreement (the "2018 CB Placing Agreement") with VC Brokerage Limited ("VCB"), pursuant to which the Company had proposed to offer for subscription, and VCB had agreed to procure not less than six placees to subscribe for the convertible bonds up to an aggregate principal amount of HK$46,000,000 for a term of 3 years (the "2018 CB"), 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 CB, under the general mandate of the Company granted by the Shareholders at the 2018 AGM held on 17 May 2018.

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

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

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

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

(3) 2019 Convertible Bonds

On 25 June 2019, the Company entered into a placing agreement (the "2019 CB Placing Agreement") with VCB, pursuant to which the Company had proposed to offer for subscription, and VCB had agreed to procure not less than six placees to subscribe for the convertible bonds up to an aggregate principal amount up to HK$60,000,000 for a term of 3 years (the "2019 CB"), 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 CB, under the specific mandate of the Company to be granted by the Shareholders at a general meeting of the Company.

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

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

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

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

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

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 2019, the Company complied with the applicable CG Code and principles, save for the deviations specified and explained below.

Code Provision A.2.1

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

Code Provision A.2.7

Pursuant to code provision A.2.7 of the CG Code, the Chairman should at least annually hold meetings with the independent non-executive directors ("INEDs") without the presence of the other directors. During the year under review, due to other business engagements, Mr. Yu Baodong, the Chairman of the Board, did not hold any meeting with the INEDs without the presence of other directors.

Code Provision A.6.7

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

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 period/year ended 31 December 2019 (where applicable).

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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 2019 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2019. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

Opinion

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

Material Uncertainty Related to Going Concern

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

The aforesaid "note 4 to the consolidated financial statements" in the extract from the independent auditor's report is disclosed as note 4 in this Results Announcement.

AUDIT COMMITTEE

The Company has an audit committee (the "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. Chan Chi Yuen (Chairman), Mr. Wong Cheuk Bun and Mr. Chan Sing Fai.

The consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("AGM") will be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Wednesday, 15 April 2020 at 11:00 a.m. A circular containing, inter alia, the information required by the Listing Rules concerning (1) the grant of general mandates to repurchase Shares and to issue new Shares; and (2) the re-election of retiring Directors together with the notice of the AGM, will be published and despatched to the shareholders in the manner as required by the Listing Rules on or before 9 March 2020.

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, 7 April 2020 to Wednesday, 15 April 2020 (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, 6 April 2020.

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 2019 will be despatched to the shareholders and made available for review on the same websites on or before 9 March 2020.

By Order of the Board
Asia Energy Logistics Group Limited
Fu Yongyuan
Executive Director

Hong Kong, 28 February 2020

As at the date of this announcement, the executive directors of the Company are Mr. Fu Yongyuan and Mr. Wu Jian; the non-executive director of the Company is Mr. Yu Baodong (Chairman); and the independent non-executive directors of the Company are Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Chan Sing Fai.