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**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 2022**

**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 2022, together with the comparative figures for the previous corresponding year, as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Revenue</b>	6	<b>106,533</b>	64,708
Cost of services		<u>(87,725)</u>	<u>(68,307)</u>
<b>Gross profit (loss)</b>		<b>18,808</b>	(3,599)
Other income	7	<b>4,109</b>	2,741
Depreciation	8(c)	<b>(5,436)</b>	(4,942)
Legal and professional fees	8(c)	<b>(5,162)</b>	(3,630)
Motor vehicles expenses	8(c)	<b>(2,694)</b>	(1,604)
Research and development costs	8(c)	<b>(7,418)</b>	(801)
Staff costs	8(b)	<b>(25,418)</b>	(24,831)
Change in fair value of financial assets at FVPL		<b>(14,884)</b>	2,733
Amortisation of deferred day-one loss of the 2020 Convertible Bonds	14	<b>(3,425)</b>	(3,425)
Other administrative and operating expenses		<b>(9,019)</b>	(9,005)
Finance costs	8(a)	<u><b>(8,360)</b></u>	<u>(7,077)</u>

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss before tax from continuing operations</b>	8	<b>(58,899)</b>	(53,440)
Income tax expense	9	—	—
<b>Loss for the year from continuing operations</b>		<b>(58,899)</b>	(53,440)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		—	(1,080)
<b>Loss for the year</b>		<b>(58,899)</b>	(54,520)
<b>Other comprehensive (loss) income</b>			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		(1,917)	823
		(1,917)	823
<b>Total comprehensive loss for the year</b>		<b>(60,816)</b>	(53,697)
<b>Loss attributable to owners of the Company:</b>			
– from continuing operations		(56,664)	(52,719)
– from discontinued operations		—	(1,080)
		<b>(56,664)</b>	(53,799)
<b>Loss attributable to non-controlling interests:</b>			
– from continuing operations		(2,235)	(721)
– from discontinued operations		—	—
		<b>(2,235)</b>	(721)
<b>Total comprehensive loss attributable to:</b>			
– Owners of the Company		(58,214)	(53,086)
– Non-controlling interests		(2,602)	(611)
		<b>(60,816)</b>	(53,697)
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted			
– from continuing operations ( <i>HK cents</i> )	11	(3.34)	(3.11)
– from discontinued operations ( <i>HK cents</i> )	11	—	(0.06)
		<b>(3.34)</b>	(3.17)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>142,546</b>	153,749
Intangible asset		<b>1,000</b>	1,000
Right-of-use assets		<b>6,847</b>	8,520
Goodwill		<b>1,026</b>	1,026
		<u><b>151,419</b></u>	<u>164,295</u>
<b>Current assets</b>			
Trade and other receivables	12	<b>18,889</b>	8,743
Financial assets at FVPL		<b>19,301</b>	28,267
Bank balances and cash		<b>18,087</b>	53,378
		<u><b>56,277</b></u>	<u>90,388</u>
<b>Current liabilities</b>			
Trade and other payables	13	<b>21,085</b>	15,700
2019 Convertible Bonds		–	435
2020 Convertible Bonds	14	<b>41,798</b>	–
Lease liabilities		<b>5,390</b>	4,879
		<u><b>68,273</b></u>	<u>21,014</u>
<b>Net current (liabilities) assets</b>		<u><b>(11,996)</b></u>	<u>69,374</u>
<b>Total assets less current liabilities</b>		<u><b>139,423</b></u>	<u>233,669</u>
<b>Non-current liabilities</b>			
2020 Convertible Bonds	14	–	31,202
Lease liabilities		<b>1,850</b>	4,078
		<u><b>1,850</b></u>	<u>35,280</u>
<b>NET ASSETS</b>		<u><b>137,573</b></u>	<u>198,389</u>
<b>Capital and reserves</b>			
Share capital	15	<b>1,906,379</b>	1,906,379
Reserves		<b>(1,771,575)</b>	(1,713,361)
Equity attributable to owners of the Company		<u><b>134,804</b></u>	<u>193,018</u>
Non-controlling interests		<b>2,769</b>	5,371
<b>TOTAL EQUITY</b>		<u><b>137,573</b></u>	<u>198,389</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 2022 and 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 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 2021 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 2022 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 2022.

In respect of the year ended 31 December 2022, 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 2021, the auditor’s report:

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

### 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 2021 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 16	<i>Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Annual Improvements to HKFRSs	<i>2018–2020 Cycle</i>

#### **Amendments to HKAS 16: Proceeds before Intended Use**

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

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

#### **Amendments to HKAS 37: Cost of Fulfilling a Contract**

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

#### **Amendments to HKFRS 3: Reference to the Conceptual Framework**

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

#### **Annual Improvements Project – 2018–2020 Cycle**

##### ***HKFRS 1: Subsidiary as a First-time Adopter***

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

#### ***HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities***

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

#### ***HKFRS 16: Lease Incentives***

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

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

#### **4. GOING CONCERN BASIS**

The Group had net current liabilities of approximately HK\$11,996,000 as at 31 December 2022 and incurred a loss of approximately HK\$58,899,000 from continuing operations for the year ended 31 December 2022. 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 Company has preliminary discussions with Oriental Solar Group Limited (“Oriental Solar”), the substantial shareholder of the Company and the holder of the 2020 Convertible Bonds (as defined in note 14), on the intention of the conversion of the 2020 Convertible Bonds into the ordinary shares of the Company before maturity date. The management expects no cash outflows for the repayment of the 2020 Convertible Bonds in next twelve months.

Based on a cash flow forecast prepared by the management covering a period up to 31 December 2023 and after taking into account the factor as mentioned above, the directors consider 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 2022. 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:

Continuing operations:

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

Discontinued operations:

- (a) Shipping and logistics (operations in relation to a vessel, M/V Asia Energy, which was disposed by the Group on 20 January 2021)

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

Year ended 31 December 2022	(Continuing operations)			Total HK\$'000
	Telecommunications related business HK\$'000	Shipping and logistics HK\$'000		
	Segment revenue from external customers	38,966	67,567	
Segment loss	(14,633)	(2,454)	(17,087)	
Unallocated income			253	
Change in fair value of financial assets at FVPL			(14,884)	
Other unallocated corporate expenses			(27,181)	
Loss for the year			(58,899)	
<b>Other segment information:</b>				
Depreciation of property, plant and equipment	(36)	(11,292)	(11,328)	
Depreciation of right-of-use assets ( <i>note</i> )	(1,936)	(1,502)	(3,438)	
Finance costs ( <i>note</i> )	(175)	(130)	(305)	
Additions of property, plant and equipment	135	-	135	
		(Discontinued operations)		
	(Continuing operations)	Shipping and logistics	Shipping and logistics	Total
Year ended 31 December 2021	Telecommunications related business HK\$'000	Shipping and logistics HK\$'000	Shipping and logistics HK\$'000	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)
<b>Other segment information:</b>				
Depreciation of property, plant and equipment	(16)	(14,553)	-	(14,569)
Depreciation of right-of-use assets ( <i>note</i> )	(1,500)	(1,141)	-	(2,641)
Finance costs ( <i>note</i> )	(121)	(219)	-	(340)
Additions of property, plant and equipment	21	5,095	-	5,116

*Note:* Depreciation of right-of-use assets excluded from the measure of segment results during the years ended 31 December 2022 and 2021 amounted to approximately HK\$1,743,000 and HK\$1,598,000 respectively.

Finance costs excluded from the measure of segment results during the years ended 31 December 2022 and 2021 amounted to approximately HK\$8,055,000 and HK\$6,737,000 respectively.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Assets</b>		
<b>Continuing operations</b>		
Shipping and logistics	156,702	158,800
Telecommunications related business	21,750	39,775
	<hr/>	<hr/>
Segment assets	178,452	198,575
Unallocated corporate assets	29,244	56,108
	<hr/>	<hr/>
<b>Consolidated total assets</b>	<b>207,696</b>	<b>254,683</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
<b>Continuing operations</b>		
Shipping and logistics	10,623	9,632
Telecommunications related business	6,609	8,091
	<hr/>	<hr/>
Segment liabilities	17,232	17,723
2019 Convertible Bonds	–	435
2020 Convertible Bonds	41,798	31,202
Other unallocated corporate liabilities	11,093	6,934
	<hr/>	<hr/>
<b>Consolidated total liabilities</b>	<b>70,123</b>	<b>56,294</b>
	<hr/> <hr/>	<hr/> <hr/>

### Geographical information

As at 31 December 2022, apart from the vessels and goodwill, approximately HK\$5,524,000 (2021: HK\$5,171,000) and HK\$2,450,000 (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	38,966	18,706
	<hr/> <hr/>	<hr/> <hr/>



## Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>		
Customer A (Shipping and logistics segment)	67,567	46,002
Customer B (Telecommunications related business)	<u>13,013</u>	<u>N/A</u>

The revenue from Customer B was less than 10% of the revenue of the Group for the year ended 31 December 2021.

## 6. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>		
<i>Operating lease income</i>		
Charter-hire income	67,567	46,002
<i>Revenue from contract with customers within HKFRS 15</i>		
Telecommunications service income	<u>38,966</u>	<u>18,706</u>
	<u>106,533</u>	<u>64,708</u>

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

## 7. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Continuing operations</b>		
Bank interest income	60	74
Claims from insurance company	2,120	762
Exchange gain, net	78	–
Gain on disposal of financial assets at FVPL	–	1,077
Recharge of expenses to charter parties	431	683
Subsidy income under Employment Support Scheme	552	–
Sundry income	<u>868</u>	<u>145</u>
	<u>4,109</u>	<u>2,741</u>

## 8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2022 HK\$'000	2021 HK\$'000
<b>Continuing operations</b>		
<b>(a) Finance costs:</b>		
Interest on other borrowings	535	231
Interest on the 2019 Convertible Bonds	78	77
Interest on the 2020 Convertible Bonds ( <i>note 14</i> )	7,171	5,993
Interest on lease liabilities	576	776
	<u>8,360</u>	<u>7,077</u>
	2022 HK\$'000	2021 HK\$'000
<b>(b) Staff costs (including directors' remuneration):</b>		
Employee benefits expense	23,865	23,381
Contributions to defined contribution plans	1,553	1,450
	<u>25,418</u>	<u>24,831</u>
	2022 HK\$'000	2021 HK\$'000
<b>(c) Other items:</b>		
Auditor's remuneration		
Annual audit	1,100	1,080
Non-annual audit	160	150
Cost of services ( <i>note</i> )	87,725	68,307
Depreciation of property, plant and equipment	11,328	14,569
Depreciation of right-of-use assets	5,181	4,239
Exchange (gain) loss, net	(78)	183
Legal and professional fees	5,162	3,630
Motor vehicles expenses	2,694	1,604
Research and development costs	7,418	801
	<u>7,418</u>	<u>801</u>

*Note:* Cost of services for continuing operations includes depreciation of property, plant and equipment of approximately HK\$11,073,000 (2021: HK\$13,866,000) which amount is also included in the respective total amount disclosed separately in "depreciation of property, plant and equipment".

## 9. TAXATION

Hong Kong Profits Tax, if any, is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the year. The PRC enterprise income tax has been provided at the rate of 25% (2021: 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 2022 and 2021.

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

## 11. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss attributable to owners of the Company		
– Continuing operations	(56,664)	(52,719)
– Discontinued operations	–	(1,080)
	<u>                    </u>	<u>                    </u>
	2022	2021
Weighted average number of ordinary shares for basic and diluted loss per share	<u>1,694,975,244</u>	<u>1,694,975,244</u>
Loss per share		
Basic and diluted		
– Continuing operations ( <i>HK cents</i> )	(3.34)	(3.11)
– Discontinued operations ( <i>HK cents</i> )	–	(0.06)
	<u>                    </u>	<u>                    </u>
	(3.34)	(3.17)

Diluted loss per share for the years ended 31 December 2022 and 2021 is same as the basic loss per share. The calculation of diluted loss per share for the years ended 31 December 2022 and 2021 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 per share.

## 12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Trade receivables</b>	12(a)		
Lease income receivable		47	–
Service income receivables		9,729	3,078
		<u>9,776</u>	<u>3,078</u>
<b>Other receivables</b>			
Other debtors	12(b)	9,323	5,715
Deposits		2,174	2,125
Prepayments		618	827
		<u>12,115</u>	<u>8,667</u>
Less:			
Loss allowance on other receivables		<u>(3,002)</u>	<u>(3,002)</u>
		<u>9,113</u>	<u>5,665</u>
		<u><b>18,889</b></u>	<u><b>8,743</b></u>

### 12(a) Trade receivables

As at 31 December 2022, all trade receivables aged within 30 to 90 days (2021: 30 days), based on the invoice date.

### 12(b) Other debtors

As at 31 December 2022, a balance of HK\$1,122,000 (2021: Nil) carries interest at interest rate of 10% per annum, is unsecured and repayable on demand and the remaining balances are interest-free, unsecured and repayable on demand.

## 13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Trade payables</b>	13(a)	3,812	8,782
<b>Other payables</b>			
Accruals and other payables		4,945	3,615
Receipts in advance		4,131	1,059
Other borrowings from a regulated securities broker	13(b)	8,197	2,244
		<u>17,273</u>	<u>6,918</u>
		<u><b>21,085</b></u>	<u><b>15,700</b></u>

### **13(a) Trade payables**

The credit period of trade payables is normally within 90 days (2021: 90 days). As at 31 December 2022 and 2021, 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 2022, the other borrowings from a regulated securities broker are secured by securities listed in Hong Kong of HK\$19,301,000 and repayable on demand, bear interest at rate of 10% per annum (2021: 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, 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 the years ended 31 December 2022 and 2021.

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 is 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 is accounted for in the same basis as the equity component.

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

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

	<b>Gross amount</b> <i>HK\$'000</i>	<b>Deferred day-one loss</b> <i>HK\$'000</i>	<b>Net amount</b> <i>HK\$'000</i>
As at 1 January 2021	30,490	(8,706)	21,784
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 and 1 January 2022	<b>36,483</b>	<b>(5,281)</b>	<b>31,202</b>
Imputed interest expenses	<b>7,171</b>	–	<b>7,171</b>
Amortisation of deferred day-one loss	–	<b>3,425</b>	<b>3,425</b>
	<hr/>	<hr/>	<hr/>
As at 31 December 2022	<b>43,654</b>	<b>(1,856)</b>	<b>41,798</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 15. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Issued and fully paid:</b>		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,694,975,244	1,906,379
	<hr/> <hr/>	<hr/> <hr/>

## **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 (2021: about 64,000 DWT).

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

In 2022, countries implemented strict quarantine measures and the relevant measures under the COVID-19 pandemic, the Group suffered a substantial increase in crew costs, including salaries, accommodation and traveling during the crew replacement. As the COVID-19 pandemic gradually eases and comes under control, the crew costs have been resumed to normal level since the fourth quarter of 2022. Meanwhile, the Group renewed the charter contracts with the charterer at charter rates which are higher than the previous rates, therefore, the result of the shipping and logistics business was significantly improved in 2022.

For the year under review, the Group recorded a revenue of approximately HK\$67,567,000 (2021: approximately HK\$46,002,000), representing an increase of approximately 47% as compared to the corresponding period of 2021. The gross profit was approximately HK\$16,251,000 (2021: gross loss of approximately HK\$5,314,000), representing an increase of approximately 406% as compared to the same period of 2021. The increase in revenue and gross profit was due to the renewal of charter contracts at higher charter rates.

#### ***Telecommunications Related Business***

The telecommunications related business of the Group are mainly provision of short message services and 5G communication network solution. For the year under review, the Group recorded a revenue of approximately HK\$38,966,000 (2021: approximately HK\$18,706,000), representing an increase of approximately 108% as compared to the corresponding period of 2021. The increase in revenue was mainly benefited from the recovery of economy activities in the PRC and the new contribution from 5G communication network solution.

The gross profit was approximately HK\$2,557,000 (2021: approximately HK\$1,715,000), representing an increase of approximately 49% as compared to the corresponding period of 2021. The increase in gross profit was mainly due to the growth in revenue and the higher gross profit margin contributed by 5G communication network solution.

## **Discontinued Operations**

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

## **PROSPECTS**

### **Shipping and Logistics**

The Group entered into new charter contracts with the charterer at new charter rates which are significantly higher than the previous rates. The management of the Company expects that the shipping and logistics business will generate positive contributions in the upcoming year.

The Company has been careful in considering the price of available dry bulk vessels, as well as the location of the potential target vessels in the market. Due to the increase in interest rates imposed by various central banks, material geo-political issues and slowdown of global economic growth, the price of vessels available for sale in the market has fluctuated as indicated by BDI which has risen by over 20%, of which the highest point has risen by over 400% since 2021.

It is expected the market will undergo profound and complex changes given the variables that affect the market are a combination of industry specific, economical, as well as geopolitically driven. The Company will be in close watch of the market conditions, including but not limited to the price of vessels and the financial position of the Company, the vessel acquisition will only materialize in the best interest of the Company should an acquisition opportunity arises.

### **Telecommunications Related Business**

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.



In 2022, the national and local governments have increased their support for 5G network construction, the “Set Sail Action Plan for 5G Applications (2021–2023)” (《5G應用「揚帆」行動計劃(2021–2023年)》) indicated that the PRC was strengthening the overall layout of the “Digital China” construction and 5G application and infrastructure. The Directors expect the policy will provide a positive contribution and opportunities to the telecommunications business of the Group. 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 suitable investments opportunities 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\$106,533,000 (2021: approximately HK\$64,708,000), representing an increase of approximately 65% as compared to 2021. The increase in revenue was mainly contributed by the renewal of charter contracts of the vessels at higher charter rates and growth in the revenue of short message service business.

The Group recorded a loss from continuing operations for the year under review of approximately HK\$58,899,000 (2021: approximately HK\$53,440,000) representing an increase of approximately 10% as compared to 2021. The increase in loss from continuing operations was mainly attributable to (i) the growth of the revenue and gross profit, which is disclosed in the section headed “Business Review”, and (ii) the change in fair value of financial assets at fair value through profit or loss.

For the year under review, the basic and diluted loss per share from continuing operations was HK3.34 cents (2021: HK3.11 cents) whilst the basic and diluted loss per share from discontinued operations was Nil (2021: HK0.06 cents).

## **Liquidity, Financial Resources and Gearing Ratio**

As at 31 December 2022, the Group had:

1. Cash and bank balances of approximately HK\$18,087,000 (2021: approximately HK\$53,378,000);
2. Non-bank borrowings representing convertible bonds having an aggregate carrying amounts of approximately HK\$41,798,000 (2021: approximately HK\$31,637,000) and other borrowings from a regulated securities broker of approximately HK\$8,197,000 (2021: approximately HK\$2,244,000);

3. Total equity attributable to owners of the Company of approximately HK\$134,804,000 (2021: approximately HK\$193,018,000);
4. Net current liabilities of approximately HK\$11,996,000 (2021: net current assets of approximately HK\$69,374,000);
5. Current ratio (being current assets over current liabilities) of approximately 82% (2021: approximately 430%); and
6. Gearing ratio (being total debt divided by total equity) of approximately 51% (2021: approximately 28%).

### **Share Capital**

As at 31 December 2022, there were 1,694,975,244 Shares in issue (2021: 1,694,975,244 Shares).

### **Capital Commitments**

As at 31 December 2022, the Group had no capital commitment (2021: 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 2022, the utilization of the net proceeds amounting to approximately HK\$222,000,000 raised from the subscription in 2020 is set out below:

<b>Intended Uses</b>	<b>Allocation</b>	<b>Utilization</b>	<b>Utilization</b>	<b>Remaining</b>
	<i>HK\$ million</i>	<b>as at</b>	<b>during</b>	<b>Balance</b>
		<b>31 December</b>	<b>the year ended</b>	
		<b>2021</b>	<b>31 December</b>	<b>2022</b>
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayment of the GIC CB, the 2018 CB and the 2019 CB	169	169	–	–
General working capital	20	20	–	–
Further acquisition of vessel or potential business development	33	16	17	–
<b>Total</b>	<b>222</b>	<b>205</b>	<b>17</b>	<b>–</b>

2. As at 31 December 2022, the utilization of the net proceeds amounting to approximately HK\$24,000,000 raised from the placing in 2020 is set out below:

<b>Intended Uses</b>	<b>Allocation</b>	<b>Utilization</b>	<b>Reallocation</b>	<b>Utilization</b>	<b>Remaining</b>
	<i>HK\$ million</i>	<b>as at</b>		<b>during the</b>	<b>Balance</b>
		<b>31 December</b>		<b>year ended</b>	
		<b>2021</b>		<b>31 December</b>	<b>2022</b>
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Further acquisition of vessel	24	–	(24)	–	–
General working capital					
– Shipping and logistics business	–	–	14	14	–
– General corporate use	–	–	10	10	–
<b>Total</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>24</b>	<b>–</b>

As disclosed in the 2021 annual report and 2022 interim report, the vessel acquisition plan has been significantly influenced in the past years, the reasons are, including but not limited to the substantial increase in the price of vessels available for sales and the COVID-19 pandemic which has embarrassed the feasibility of vessels inspection. In addition, the Group suffered a substantial increase in crew costs during the crew replacement under the COVID-19 pandemic that weaken the financial position and liquidity of the Group during the year under review.

Having considered the recent market changes and the financial position of the Group, the Board resolved to change the use of the unutilized proceeds amounting to approximately HK\$24,000,000 (“Unutilized Proceeds”) for general working capital of the Group.

The Directors considered that the reallocation of the Unutilized Proceeds for general working capital is appropriate and effective to enhance the financial position and liquidity of the Group and meet the financial needs of the Group. Approximately HK\$14 million of the Unutilized Proceeds were used for shipping and logistic business and the remaining balances were used for general corporate use, including but not limited to staff costs, rental expenses, legal and professional fee and other administrative expenses. As at 31 December 2022, the above proceeds were fully utilized.

Being mindful of the unforeseen circumstances and the market changes, the Directors considered that the reallocation of the Unutilized 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”).

During the year ended 31 December 2022, 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. 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.

### **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 Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

### **DIVIDENDS**

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

### **SCOPE OF WORK OF MAZARS CPA LIMITED**

The figures in respect of the Company’s consolidated statements of comprehensive income and financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement 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 ended 31 December 2022. 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 2022**

The following is an extract of the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 December 2022. 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 2022, 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 Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to the “Going concern” 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 of HK\$58,899,000 for the year ended 31 December 2022 and, as at that date, the Group had net current liabilities of approximately HK\$11,996,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. 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. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. 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 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 2022 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 31 May 2023. 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 Thursday, 25 May 2023 to Wednesday, 31 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 May 2023.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.aelg.com.hk>). The annual report of the Company for the year ended 31 December 2022 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, 17 March 2023

*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.*