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亞洲能源物流
ASIAENERGY
Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Asia Energy Logistics Group Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the previous corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**30,059**	18,826
Cost of sales		**(24,845)**	(13,894)
Gross profit		**5,214**	4,932
Other income (loss)	*4*	**892**	(16)
Depreciation		**(1,921)**	(856)
Staff costs		**(12,756)**	(17,690)
Change in fair value of contingent consideration payable		**1,136**	867
Change in fair value of derivative components of GIC Convertible Bonds		**2,056**	–
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		**(3,743)**	672
Other operating expenses		**(5,978)**	(10,336)
Finance costs	*6*	**(33,729)**	(34,168)
Loss before tax	*7*	**(48,829)**	(56,615)
Income tax expense	*8*	**–**	–
Loss for the period		**(48,829)**	(56,615)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		**1,192**	2,181
Total comprehensive loss for the period		**(47,637)**	(54,434)

	Note	For the six months ended 30 June **2019** **_HK$'000_** **(Unaudited)**	2018 _HK$'000_ (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(36,045)**	(43,364)
Non-controlling interests		**(12,784)**	(13,251)
		(48,829)	(56,615)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(35,354)**	(42,102)
Non-controlling interests		**(12,283)**	(12,332)
		(47,637)	(54,434)
Loss per share			(Restated)
Basic and diluted (HK cents)	_9_	**(7.27)**	(9.82)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**218,415**	211,457
Intangible asset		**1,000**	1,000
Construction in progress	*12*	**1,595,982**	1,598,782
Railway construction prepayment	*12*	**4,756**	4,775
Interest in a joint venture		**–**	–
Right-of-use assets		**3,488**	–
Deposits paid for acquisition of property, plant and equipment		**1,424**	2,610
		1,825,065	1,818,624
Current assets			
Trade and other receivables	*13*	**6,640**	32,076
Bank balances and cash		**8,465**	18,456
		15,105	50,532
Current liabilities			
Trade and other payables	*14*	**150,584**	154,669
GIC Convertible Bonds	*15*	**76,926**	–
Derivative components of GIC Convertible Bonds		**13,101**	–
Bank and other borrowings		**1,660,005**	1,647,783
Amount due to a joint venture	*19(d)*	**147,153**	143,411
Amounts due to minority equity owners of subsidiaries	*19(e)*	**8,315**	8,348
Lease liabilities		**2,380**	–
		2,058,464	1,954,211
Net current liabilities		**(2,043,359)**	(1,903,679)
Total assets less current liabilities		**(218,294)**	(85,055)

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Contingent consideration payable		**2,564**	3,700
GIC Convertible Bonds	*15*	**–**	71,330
Derivative components of GIC Convertible Bonds		**–**	15,157
Convertible Bonds Due 2021	*16*	**12,942**	12,152
Lease liabilities		**1,231**	–
		16,737	102,339
NET LIABILITIES		**(235,031)**	(187,394)
Capital and reserves			
Share capital	*17*	**1,709,316**	1,709,316
Reserves		**(1,804,594)**	(1,769,240)
Equity attributable to owners of the Company		**(95,278)**	(59,924)
Non-controlling interests		**(139,753)**	(127,470)
TOTAL DEFICITS		**(235,031)**	(187,394)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2018.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing these condensed consolidated interim financial statements and their effect are the same as those applied to the consolidated financial statements of the Company for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's specified financial statements for that year as defined in section 436 of the Hong Kong Companies Ordinance but is derived therefrom. The Company's specified financial statements for the year ended 31 December 2018 had been delivered to the Registrar of Companies in Hong Kong, on which the auditor had reported and disclaimed their opinion, and had included a statement under section 407(3) of the Hong Kong Companies Ordinance.

As at 30 June 2019, the Group had net current liabilities of approximately HK$2,043,359,000 (31 December 2018: HK$1,903,679,000) and net liabilities of approximately HK$235,031,000 (31 December 2018: HK$187,394,000). In addition, it incurred a loss of approximately HK$48,829,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$56,615,000). 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.

The Group's net current liabilities as at 30 June 2019 are mainly attributable to its three non-wholly owned subsidiaries, 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*), 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company") and 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"), which are principally engaged in the construction and operations of a railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省), the People's Republic of China (the "PRC"), (the "Zunxiao Railway").

* *English name for identification purpose only*

The construction work of the Zunxiao Railway has been suspended since July 2013 because the Group could not reach an agreement with the overlaid mine owner (the "Mine Owner") in respect of the compensation payable to the Mine Owner for the reserve of the mine located at around the Tangcheng section of the Zunxiao Railway.

With continuous effort of the management of the Company, an agreement to jointly appoint independent valuers was entered into between Tangcheng Company and the Mine Owner in November 2018 in order to assess the volume and fair value of the reserve of the mine together with relevant affected assets, which will form a basis of the amount of the compensation payable to the Mine Owner. As at the date of the condensed consolidated interim financial statements, the preliminary assessment of the volume of the mine conducted by the independent valuer was completed. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

Following the positive developments of the negotiation of the compensation payable to the Mine Owner, which has been dragged on for years, the directors of the Company are optimistic that the construction work of the Zunxiao Railway could be resumed soon. In addition, the future economic benefits to be brought by the Zunxiao Railway to the Group are expected to be significant, given the State Council promulgated the Three-year Action Plan to Make the Skies Blue Again (《打贏藍天保衛戰三年行動計劃》) in 2018.

The directors expect that the Railway Companies will continue to rely on the financial support from certain companies (the "Lenders") in order to meet their financial obligations including payment of interests on bank borrowings, construction cost payables and other operating expenses. One of the Lenders is Golden Concord Holdings Limited ("GCL"), a guarantor of the Group's bank borrowings. The Lenders are beneficially owned by Mr. Zhu Gongshan ("Mr. Zhu"), a director of certain subsidiaries, including the Railway Companies, of the Company. Mr. Zhu is also a beneficiary of a discretionary trust which is a substantial shareholder of the Company.

In this connection, GCL, which is also the holding company of the other companies comprising the Lenders, has confirmed in writing that it will continue to provide financial support to the Railway Companies and will not demand for repayment of other borrowings of the Group, which amounted to approximately HK$768,086,000 as at 30 June 2019 (31 December 2018: HK$725,632,000), and related interests until the financial position of the Railway Companies is improved and the loan repayments will not affect the construction and operation of the Zunxiao Railway.

In addition, the Railway Companies will negotiate with the bank for extension of the repayment date of the entire or partial amount of the Group's bank borrowings which are due for repayment on 31 December 2019.

Furthermore, the directors have also taken into account the urgent letter of request dated 28 January 2019 from the Railway Companies in respect of the proportional contribution to the anticipated increase of capital, details of which have been disclosed in the Company's announcement dated 30 January 2019.

As for the shipping and logistics operations, 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.

On 25 June 2019, the Company entered into a placing agreement (the "2019 CB Placing Agreement") with the placing agent, 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 in the aggregate principal amount of HK$60,000,000 for a term of three years (the "Convertible Bonds Due 2022"), on a best effort basis, on the terms and subject to the conditions as set out in the 2019 CB Placing Agreement. The placing of Convertible Bonds Due 2022 was approved by the shareholders of the Company at the general meeting held on 15 August 2019.

The directors have prepared a cash flow forecast covering a period up to 30 June 2020 on the basis that the Group's aforementioned plans and measures will be successful, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 30 June 2019. Accordingly, the directors consider that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group will be able to successfully implement its plans and measures as mentioned above. The appropriateness of the use of the going concern basis depends on whether (i) the Group would be able to successfully negotiate with the bank for extension of the repayment date of the Group's bank borrowings; (ii) the Lenders which have been providing financial support to the Railway Companies will continue to have sufficient and adequate financial resources to provide financial support to the Railway Companies; (iii) the Group and the joint venture partner's mutual intention on withholding enforcement of or otherwise discharge the Group's obligations under the shareholders' agreement to acquire the two remaining vessels will continue and remain unchanged; and (iv) the Group will be able to reach an agreement with the Mine Owner on the amount of compensation payable to the Miner Owner as planned so that the Group would be able to resume and complete the construction of the Zunxiao Railway.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on 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. Should the use of the going concern basis in preparation of the condensed consolidated interim financial statements be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the condensed consolidated statement of financial position as at 30 June 2019. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2018 have been applied consistently to these condensed consolidated interim financial statements, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective from 1 January 2019.

The Group has adopted, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Annual Improvements to HKFRSs	2015–2017 Cycle
HKFRS 16	Leases
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

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

HKFRS 16: Leases

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows applying HKAS 7 *Statement of Cash Flows*.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 January 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied from 1 January 2019 (i.e. the date of initial application) onwards. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 at 1 January 2019 in equity.

The reconciliation of operating lease commitments to lease liabilities is set out below:

	At 1 January 2019 *HK$'000* (Unaudited)
Operating lease commitments as at 31 December 2018	5,580
Discounted operating lease commitments as at 1 January 2019	4,759
Less: short-term leases recognised on a straight-line basis as expenses	(108)
Total lease liabilities	4,651

The recognised right-of-use assets in respect of the Group's office premises and staff quarters together with the corresponding lease liabilities are as follows:

	At 30 June 2019 HK$'000 (Unaudited)	At 1 January 2019 HK$'000 (Unaudited)
Right-of-use assets	**3,488**	4,651
Lease liabilities – Current portion	**2,380**	2,177
Lease liabilities – Non current portion	**1,231**	2,474
Total lease liabilities	**3,611**	4,651

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17.

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate of 18% at the date of initial application.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

3. REVENUE

Revenue represents the amount received and receivable for time charters:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating lease income		
Charter-hire income	**30,059**	18,826

The Group did not enter into any contracts with customers within HKFRS 15.

4. OTHER INCOME (LOSS)

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on redemption of convertible notes	**–**	(42)
Reversal of impairment loss of consideration receivable	**600**	–
Sundry income	**292**	26
	892	(16)

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.

Six months ended 30 June 2019 (Unaudited)	**Railway construction and operations** ***HK'000***	**Shipping and logistics** ***HK'000***	**Total** ***HK'000***
Segment revenue from external customers	–	**30,059**	**30,059**
Segment loss	**(29,520)**	**(4,838)**	**(34,358)**
Other segment information:			
Interest expense	**(23,482)**	**(8,309)**	**(31,791)**
Depreciation of property, plant and equipment	**(326)**	**(5,028)**	**(5,354)**
Share of results of joint venture	–	**(3,743)**	**(3,743)**
Change in fair value of derivative components of GIC Convertible Bonds	–	**2,056**	**2,056**
Additions to non-current segment assets	**3,561**	**12,745**	**16,306**

Six months ended 30 June 2018 (Unaudited)	Railway construction and operations *HK'000*	Shipping and logistics *HK'000*	Total *HK'000*
Segment revenue from external customers	–	18,826	18,826
Segment (loss) profit	(32,263)	5,461	(26,802)
Other segment information:			
Interest expense	(28,510)	–	(28,510)
Depreciation of property, plant and equipment	(316)	(2,474)	(2,790)
Operating lease payments	(49)	–	(49)
Share of results of joint venture	–	672	672
Additions to non-current segment assets	–	167,094	167,094

The following tables present the reconciliations of segment profit or loss, assets and liabilities:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Segment loss	**(34,358)**	(26,802)
Change in fair value of contingent consideration payable	**1,136**	867
Change in fair value of derivative component of convertible notes	**–**	(4)
Change in fair value of options/commitment to subscribe for convertible notes	**–**	(16)
Other unallocated corporate expenses	**(15,607)**	(30,660)
Consolidated loss before tax	**(48,829)**	(56,615)

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
Assets		
Railway construction and operations	**1,603,798**	1,630,383
Shipping and logistics	**227,423**	223,999
Segment assets	**1,831,221**	1,854,382
Unallocated corporate assets	**8,949**	14,774
Consolidated total assets	**1,840,170**	1,869,156
Liabilities		
Railway construction and operations	**1,791,482**	1,789,895
Shipping and logistics	**241,310**	234,796
Segment liabilities	**2,032,792**	2,024,691
Contingent consideration payable	**2,564**	3,700
Convertible Bonds Due 2021	**12,942**	12,152
Other unallocated corporate liabilities	**26,903**	16,007
Consolidated total liabilities	**2,075,201**	2,056,550

Geographical information

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

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.

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:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**22,269**	9,049
Customer B	**7,790**	9,429
	30,059	18,478

6. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**24,046**	29,412
Interest on Convertible Bonds Due 2021	**1,015**	–
Interest on GIC Convertible Bonds	**8,309**	4,755
Interest on convertible notes	**–**	1
Interest on lease liabilities	**359**	–
	33,729	34,168

7. LOSS BEFORE TAX

This is stated after charging:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment:		
Recognised in cost of sales	**5,028**	2,474
Recognised in administrative expenses	**758**	856
	5,786	3,330
Depreciation of right-of-use assets, recognised in administrative expenses	**1,163**	–
Staff costs (including director's remuneration):		
Employee benefits expenses	**11,745**	8,980
Equity-settled share-based payment expenses	**–**	7,941
Contributions to defined contribution retirement scheme	**1,011**	769
	12,756	17,690
Operating lease charges for premises	**–**	1,158

8. INCOME TAX

No provision for Hong Kong profits tax and PRC enterprise income tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong and the PRC had no estimated assessable profits for the six months ended 30 June 2019 and 2018.

9. LOSS PER SHARE

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	**36,045**	43,364

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares for the purposes of basic loss per share *(Notes (a) & (b))*	**495,975,244**	441,508,772

Notes:

(a) The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2019 and 2018 has been adjusted for the share consolidation on 19 August 2019 as disclosed in note 20.

(b) Diluted loss per share for the six months ended 30 June 2019 and 2018 is the same as the basic loss per share as the average market price of the Company's shares during both periods was lower than the conversion price of the GIC Convertible Bonds (as defined in note 15) and the Convertible Bonds Due 2021 (as defined in note 16) and the effect of the assumed conversion of the potential shares from exercising the Company's share options, conversion of the convertible notes and issue of the contingent consideration shares is anti-dilutive.

10. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2019 and 2018.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with aggregate cost of HK$12,745,000.

12. CONSTRUCTION IN PROGRESS AND RAILWAY CONSTRUCTION PREPAYMENT

	Construction in progress *HK$'000*	Railway construction prepayment *HK$'000*
Cost		
As at 1 January 2018 (Audited)	2,007,470	6,448
Additions	4,199	–
Exchange adjustment	(92,584)	–
As at 31 December 2018 (Audited)	1,919,085	6,448
Additions	3,561	–
Exchange adjustment	(7,622)	(26)
As at 30 June 2019 (Unaudited)	**1,915,024**	**6,422**
Impairment		
As at 1 January 2018 (Audited)	335,742	1,754
Exchange adjustment	(15,439)	(81)
As at 31 December 2018 (Audited)	320,303	1,673
Exchange adjustment	(1,261)	(7)
As at 30 June 2019 (Unaudited)	**319,042**	**1,666**
Carrying amount		
As at 30 June 2019 (Unaudited)	**1,595,982**	**4,756**
As at 31 December 2018 (Audited)	1,598,782	4,775

Construction in progress and railway construction prepayment represent railway construction costs and related prepaid construction costs of the Zunxiao Railway. The construction in progress, the railway construction prepayment and related property, plant and equipment (collectively referred to as the "Railway Assets") have the carrying amount of approximately HK$1,602,632,000 as at 30 June 2019 (31 December 2018: HK$1,605,139,000).

The construction work of the Zunxiao Railway has been suspended since July 2013 because the Group could not reach an agreement with the Mine Owner in respect of the compensation payable to the Mine Owner for the reserve of the mine together with relevant affected assets located at around the Tangcheng section of the Zunxiao Railway.

With continuous effort of the management of the Company, an agreement to jointly appoint independent valuers was entered into between Tangcheng Company and the Mine Owner in November 2018 in order to assess the volume and fair value of the reserve of the mine together with relevant affected assets, which will form a basis of the amount of the compensation payable to the Mine Owner. As at the date of the condensed consolidated interim financial statements, the preliminary assessment of the volume of the mine conducted by the independent valuer was completed. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

The management considered that there have been no material changes in circumstances since 31 December 2018 that would have required recognition of additional impairment loss or reversal of impairment loss on the carrying amounts of the Railway Assets as at 30 June 2019. The management will closely monitor the situation and engage an independent expert to assess the recoverable amounts of the Railway Assets if and when necessary.

13. TRADE AND OTHER RECEIVABLES

	Note	**At 30 June 2019** ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Trade receivables	*13(a)*	**345**	345
Other receivables			
Consideration receivable		**9,150**	9,850
Amount due from Golden Concord Group Management Limited		**–**	23,682
Other debtors		**4,175**	4,021
Deposits		**1,074**	1,080
Prepayments		**1,046**	2,848
		15,445	41,481
Less: Loss allowance on consideration receivable		**(9,150)**	(9,750)
		6,295	31,731
		6,640	32,076

13(a) Trade receivables

As at 30 June 2019, all trade receivables aged over 6 months but less than 12 months (31 December 2018: aged within 6 months), based on the invoice date.

14. TRADE AND OTHER PAYABLES

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Trade payables			
– current and up to 30 days	*14(a)*	**2,110**	2,392
Other payables			
Construction cost payables	*14(b)*	**120,395**	126,303
Other payables and accruals		**26,916**	24,887
Contract liabilities		**1,163**	1,087
		148,474	152,277
		150,584	154,669

14(a) Trade payables

As at 30 June 2019 and 31 December 2018, all trade payables aged within 30 days, based on the invoice date.

14(b) Construction cost payables

The construction cost payables are unsecured and repayable on demand, of which approximately HK$53,643,000 (31 December 2018: HK$53,855,000) bears interest at rates ranging from 3.5% to 4.75% per annum (31 December 2018: 3.5% to 4.75% per annum) while the remaining balances are interest-free.

15. GIC CONVERTIBLE BONDS

On 30 November 2017, the Company entered into a subscription agreement with GIC Investment Limited ("GIC"), an indirect wholly-owned subsidiary of GCL-Poly Energy Holdings Limited of which Mr. Zhu 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 liabilities 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 liabilities. The effective interest rate of the liability component on initial recognition is 22.59% per annum.

As at 30 June 2019, one of the vessels of the Group with carrying amount of HK$80,201,000 (31 December 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
As at 31 December 2018 (Audited)	71,330
Imputed interest expenses	8,309
Payment of interest expenses	(2,713)
As at 30 June 2019 (Unaudited)	76,926

16. CONVERTIBLE BONDS DUE 2021

On 4 September 2018, the Company entered into a placing agreement (the "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$46,000,000 (the "Convertible Bonds Due 2021") on a best effort basis on the terms and subject to the conditions set out in the CB Placing Agreement.

The Convertible Bonds Due 2021 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 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 Convertible Bonds Due 2021 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.

As at 30 June 2019, one of the vessels of the Group with carrying amount of HK$80,380,000 (31 December 2018: HK$81,908,000) was pledged to the holders of the Convertible Bonds Due 2021.

The movements of liability component of the Convertible Bonds Due 2021 are as follows:

	HK$'000
As at 31 December 2018 (Audited)	12,152
Imputed interest expenses	1,015
Payment of interest expenses	(225)
As at 30 June 2019 (Unaudited)	12,942

17. SHARE CAPITAL

	At 30 June 2019		At 31 December 2018	
	Number of shares **(Unaudited)**	***HK$'000*** **(Unaudited)**	*Number of shares* (Audited)	*HK$'000* (Audited)
Issued and fully paid:				
As at 1 January	**2,479,876,223**	**1,709,316**	1,525,780,526	1,608,309
Shares issued on conversion of convertible notes	–	–	30,734,663	3,543
Shares issued on placing, net of issue expenses	–	–	923,361,034	97,464
As at 30 June 2019 and 31 December 2018	**2,479,876,223**	**1,709,316**	2,479,876,223	1,709,316

18. CAPITAL COMMITMENTS

	At 30 June 2019 ***HK$'000*** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Authorised and contracted for:		
– Railway construction and operations	**256,389**	257,402
– Shipping and logistics	**949**	2,136
	257,338	259,538

These commitments were entered into by Zunxiao Company and Tangcheng Company, in which the Group's effective interests are 62.50% and 51% respectively as at 30 June 2019 and 31 December 2018.

19. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group had entered into the following significant related party transactions during the six months ended 30 June 2019:

a) Compensation of key management personnel of the Group comprised the directors only whose remuneration is set out below.

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other benefits	**2,469**	2,883
Contributions to defined contribution retirement scheme	**33**	42
Equity-settled share-based payment expenses	**–**	5,637
	2,502	8,562

b) GCL is a guarantor of the Group's bank borrowings. In return, the Company has provided a counter-guarantee to indemnify GCL and the Company has entered into share mortgage, equity and assets pledges in respect of the Company's equity interest in the Railway Companies in favour of GCL.

c) Interest expenses on other borrowings amounting to approximately HK$912,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$1,190,000) were charged by GCL and its subsidiaries.

d) The amount mainly represented the excess of the Group's share of losses over its investment in the joint venture, which is unsecured, non-interest-bearing and has no fixed repayment term.

e) The amounts due to minority equity owners of subsidiaries are unsecured, interest-free and repayable on demand.

f) Interest expenses in relation to GIC Convertible Bonds of approximately HK$8,309,000 (six months ended 30 June 2018: HK$4,755,000) were charged by GIC.

g) Consultancy fee of HK$240,000 (six months ended 30 June 2018: Nil) paid to Chatwin Capital Services Limited which is beneficially owned by Wu Jian, a director of the Company.

Transactions disclosed in notes 19(b) constitute connected transactions as defined under the Listing Rules, and the directors confirmed that it has complied with the relevant disclosure requirements of the Listing Rules. The transactions disclosed in notes 19(c), 19(d), 19(e), 19(f) and 19(g) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

20. EVENTS AFTER THE END OF REPORTING PERIOD

As set out in the Company's circular dated 26 July 2019, the Company proposed to (i) grant 247,987,622 share options under the 2018 Option Scheme among which 184,000,000 share options granted to the conditional grantees, whose share options are conditional upon the approval by the independent shareholders of the Company at the general meeting, and other eligible participants; (ii) implement a share consolidation (the "Share Consolidation") on the basis that every five issued shares being consolidated into one consolidated share; and (iii) offer for subscription, and VCB has agreed to procure not less than six placees, to subscribe for, the Convertible Bonds Due 2022 on a best effort basis of a principal amount up to HK$60,000,000 on the terms and subject to the conditions in the 2019 CB Placing Agreement.

On 15 August 2019, the granting of options to the conditional grantees, the Share Consolidation with effective from 19 August 2019 and placing of Convertible Bonds Due 2022 of HK$60,000,000 were approved by the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Company and its subsidiaries (together, the "Group") together with its joint venture, were principally engaged in the (i) railway construction and operations; and (ii) shipping and logistics businesses.

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 indirectly holds 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 referred as the "Railway Companies"). The business scope of the Railway Companies consists of the construction and operation of a 121.7 kilometer singletrack railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province, 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, as disclosed in the Company's previous financial reports, the construction progress had been obstructed significantly owing to contingent circumstances.

With a view to resuming the construction of the Zunxiao Railway, the management of the Company has visited the local governments to promote the settlement of the overlaid mine, express the Company's strong determination to the construction of the Zunxiao Railway, catch on the latest local economic conditions and policies and discussed with other shareholders of the Zunxiao Railway in respect of funding for the resumption of construction works.

As disclosed by the Company previously, 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 has achieved positive progress in the settlement of the overlaid mine issue. In the fourth quarter of 2018, the Group has entered into a joint appointment letter with the Mine Owner, pursuant to which, both parties have agreed to engage an independent valuer to assess the reserve of the iron ore, assets and value of the overlaid mine. Such assessment shall become a basis for determining the compensation amount payable to the Mine Owner in the future. As at the date of this announcement, the

* *for identification purposes only*

preliminary assessment of the iron ore reserve of the mine conducted by the independent valuer was completed. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

On 29 January 2019, the Board received a report from its indirect wholly-owned subsidiary, namely China Railway Logistic Holdings Limited ("China Railway"), which is the majority shareholder of the Railway Companies. The report from China Railway enclosed a copy of an urgent letter of request dated 28 January 2019 ("Letter of Request") jointly issued by the Railway Companies. In their 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 has carefully assessed the available resources of the Company and come to the view that the Company did not have sufficient resources to satisfy the abovementioned request of the Railway Companies within the prescribed timeframe. For this reason, the Board believed that there may be a need to restructure the equity interest the Company holds indirectly in the Railway Companies (the "Possible Restructuring") with the objective to preserve the interests of the Company in the Zunxiao Railway to the utmost extent.

On 11 June 2019, the Company, Sharprise Holdings Limited (銳昇控股有限公司) ("Sharprise") (which is an indirect wholly-owned subsidiary of the Company) and Golden Concord Holdings Limited (協鑫（集團）控股有限公司) (the "Proposed Purchaser") entered into a non-legally binding memorandum of understanding (the "MOU"). Pursuant to which, the Proposed Purchaser intended to acquire a majority stake of not less than 80% shareholding in Gofar (the "Proposed Disposal"). Gofar is an indirect wholly-owned subsidiary of the Company and its entire issued shares are held by Sharprise.

With the distinctive nature and resource demands in association with the construction and operation of Zunxiao Railway and in light of the designed size and scale of Zunxiao Railway, it has not been easy for the Company to identify potential parties for the Possible Restructuring. By entering into the MOU with an ultimate objective to dispose of the indirect majority shareholding stake in the Railway Companies, the Directors believed that the Group will be released from the financial obligation to the contribution to the increase of the registered capital of the Railway Companies and the potential further contribution for the continuation of the construction of Zunxiao Railway towards completion. In turn, the Company is expected to achieve substantial improvement in its financial position and operational performance going forward, whilst the management of the Company can reallocate its relevant resources in the further development of the existing shipping and logistics businesses of the Group.

Shipping and Logistics

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

Although there was fluctuation in the Baltic Dry Index (BDI) which measures the demand for shipping capacity versus the supply of dry bulk, the shipping market during the first half of 2019 and charter rates for dry bulk vessels were maintained at a profitable level.

The JV Group

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

For the period under review, both JV vessels were under full employment throughout except for a short period of dry-docking and the JV Group recorded revenue of approximately HK$31,955,000 (six months ended 30 June 2018: approximately HK$39,498,000), representing an decrease of approximately 19% as compared to the corresponding period of 2018. The Group's share of loss from the JV Group was approximately HK$3,743,000 (six months ended 30 June 2018: a profit of approximately HK$672,000).

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 condition for the past few years, the JV Group has 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 the further acquisition. The Company will make further announcement in this regard as and when appropriate.

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 about 92,000 DWT (30 June 2018: about 92,000 DWT).

The Company successfully 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.

MV Clipper Panorama was under full employment throughout the period under review, whilst MV Clipper Selo and MV Asia Energy was also under full employment except for a short period of dry-docking.

For the period under review, the Group recorded a revenue of approximately HK$30,059,000 (six months ended 30 June 2018: approximately HK$18,826,000), representing an increase of approximately 60% as compared to the corresponding period of 2018. The gross profit was approximately HK$5,214,000 (six months ended 30 June 2018: approximately HK$4,932,000), representing an increase of approximately 6% as compared to the same period of 2018. The increase in both the revenue and gross profit were due to the increase in carrying capacity by the acquisition of two Handysize vessels in April 2018.

Overall, the performance of the Group's own vessels was satisfactory and has made positive contributions to the Group during the period under review.

Prospects

Railway Construction and Operations

Regarding the Proposed Disposal, the Directors believed that the Group will be released from the financial obligation to the contribution to the increase of the registered capital of the Railway Companies and the potential further contribution for the continuation of the construction of Zunxiao Railway towards completion. In turn, the Company is expected to achieve substantial improvement in its financial position and operational performance going forward, whilst the management of the Company can reallocate its relevant resources in the further development of the existing shipping and logistics businesses of the Group.

Shipping and Logistics

China Dry Bulk Shipping Market: the Chinese has been focusing more attention to environmental protection, especially on reducing the pollution caused by road transportation. The introduction of the Chinese emission rules which aim at strengthening the control of emission reduction and the new national transportation policies of Road-to-Rail and Road-to-Sea to support the environmental protection will have a positive impact on China shipping market.

International Dry Bulk Shipping Market: Following a reasonably positive year of 2018 for the dry bulk market, the first half of 2019 was disappointing with the average Baltic indices decreased across all dry bulk sectors. The U.S.–China trade war and the African swine fever epidemic in China are still having a disruptive impact on the dry bulk shipping market. It is expected that the dry bulk shipping market growth will remain flat in the near term.

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 not be significantly affected in 2019 as all three vessels are on charter contracts which will run until the end of 2019 or beyond.

The Group will continuously seek for suitable investment opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity.

Financial Review

For the period under review, the unaudited revenue of the Group was approximately HK$30,059,000 (six months ended 30 June 2018: approximately HK$18,826,000), representing an increase of approximately 60% as compared to the corresponding period of 2018.

The Group recorded a loss after tax for the period under review of approximately HK$48,829,000 (six months ended 30 June 2018: a loss of approximately HK$56,615,000) representing an decrease in loss of approximately 14% as compared to the same period of 2018. The decrease in loss was mainly attributable to the decrease in staff costs, finance costs and other operating expenses. The loss per share was HK7.27 cents (30 June 2018: HK9.82 cents (Restated)).

Financial Resources, Liquidity and Gearing Ratio

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

As at 30 June 2019, the Group had bank and cash balances of approximately HK$8,465,000 (31 December 2018: approximately HK$18,456,000).

As at 30 June 2019, the Group had secured bank loans of approximately HK$884,419,000 repayable within one year. The effective interest rate for the period was 4.90% per annum.

Convertible Bonds

GIC Convertible Bonds

On 30 November 2017, the Company entered into a subscription agreement (the "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 had conditionally agreed to subscribe for, the 5.5% convertible bonds in the aggregate principal amount of HK$100,000,000 with a term of 3 years.

On 26 January 2018, the resolution approving the CB Agreement and the transaction contemplated thereunder was duly passed as an ordinary resolution of the Company by the shareholders. The conditions precedent specified in the CB Agreement had been fulfilled and the completion thereof took place on 2 March 2018.

As at the date of this announcement, the Company had utilised all of the net proceeds raised from the issue of the GIC Convertible Bonds, details of which had been disclosed in the 2018 Annual Report.

Convertible Bonds Due 2021

On 4 September 2018, the Company entered into a placing agreement (the "CB Placing Agreement") with the placing agent, 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 in the aggregate principal amount of HK$46,000,000 for a term of three years, on a best effort basis, on the terms and subject to the conditions as set out in the CB Placing Agreement (the "CB Placing"). Based on the initial conversion price of HK$0.0932 (equivalent to HK$0.466 after Share Consolidation) per share, a total of 493,562,231 (equivalent to 98,712,446 after Share Consolidation) conversion shares will be allotted and issued upon exercise of the conversion rights in full of the Convertible Bonds Due 2021, under the general mandate of the Company granted by the shareholders at the 2018 annual general meeting held on 17 May 2018.

As the Company and VCB contemplated that further time would be require to satisfy or fulfill the conditions precedent to the CB Placing, on 3 October 2018, both parties had entered into a supplemental agreement to the CB Placing Agreement to extend the long stop date of the CB Placing from 3 October 2019 to 18 October 2019 whilst all other terms in the CB Placing Agreement remained unchanged.

In light of the unfavourable market conditions subsequent to the entry by the parties of the CB Placing Agreement, on 18 October 2018, the Company and VCB, upon taking into account the progress of the CB Placing, had 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 Convertible Bonds Due 2021 and to revise the denomination of the Convertible Bonds Due 2021 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 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 Convertible Bonds Due 2021 in the aggregate principal amount of HK$18,000,000 with the initial conversion price of HK$0.0932 (equivalent to HK$0.466 after Share Consolidation) per share had been successfully placed to six placees, who are independent third parties to the Company.

As at the date of this announcement, the Company had utilized all of the net proceeds raised from the issue of the Convertible Bonds Due 2021.

Fund Raising Activities

On 25 June 2019, the Company entered into a placing agreement (the "2019 CB Placing Agreement") with the placing agent, 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 in the aggregate principal amount of HK$60,000,000 for a term of three years (the "Convertible Bonds Due 2022"), on a best effort basis, on the terms and subject to the conditions as set out in the 2019 CB Placing Agreement (the "2019 CB Placing"). Based on the initial conversion price of HK$0.06 (equivalent to HK$0.3 after Share Consolidation) per share, a total of 1,000,000,000 (equivalent to 200,000,000 after Share Consolidation) conversion shares will be allotted and issued upon exercise of the conversion rights in full of the Convertible Bonds Due 2022 under the specific mandate granted by the shareholders of the Company in the general meeting held on 15 August 2019, details of the Convertible Bonds Due 2022 had been disclosed in the announcement dated 25 June 2019 and the circular dated 26 July 2019 of the Company.

In the general meeting duly held on 15 August 2019, the ordinary resolution approving the 2019 CB Placing under the specific mandate has been passed by the Shareholders. The Company would proceed to fulfilling the conditions precedent as set out in the 2019 CB Placing Agreement on or before the long stop date, i.e. 30 September 2019. Further announcement will be made by the Company should there be further update on the 2019 CB Placing.

Pledge of Assets and Contingent Liabilities

Golden Concord Holdings Limited ("GCL"), a company beneficially owned by Mr. Zhu Gongshan, a director of various subsidiaries of the Company, had provided guarantee to the Group's bank loan facilities in aggregate, up to RMB1,033 million (equivalent to approximately HK$1,174 million), granted to certain non-wholly owned subsidiaries of the Company in the PRC. In return for GCL's guarantee, the Group provided a counter-indemnity to indemnify GCL 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$684 million) and a share mortgage of its shares in China Railway Logistic Holdings Limited ("China Railway"), an indirect wholly-owned subsidiary of the Company, and equity and asset pledges of China Railway's subsidiaries in favour of GCL. As at 30 June 2019, the outstanding bank loans amounted to approximately RMB778 million (equivalent to approximately HK$884 million). Therefore, according to the Group's percentage equity interest holdings in the subsidiaries, there was a contingent liability of approximately RMB452 million (equivalent to approximately HK$514 million).

Capital Commitments

As at 30 June 2019, the Group had capital commitment of approximately HK$257,338,000 (31 December 2018: approximately HK$259,538,000), details of which are set out in note 18.

Exposure to Fluctuation in Exchange Rates

The Group's assets, liabilities and transactions are mainly denominated in the functional currency of the operations to which the transactions relate and did not have significant exposure to risk resulting from changes in foreign currency exchange rates, the Directors consider that the Group's currency exchange risk is minimal. Therefore, no hedging devices or other alternatives have been implemented.

CHANGES IN DIRECTORSHIP

On 1 March 2019, Mr. Wu Jian was appointed as an executive director and a member of the Executive Committee of the Company.

SUBSEQUENT EVENTS

Events subsequent to the period under review are as follows:

Grant of Options under the 2018 Share Option Scheme

On 4 July 2019, the Company announced that, as resolved by the Board on the same date, options carrying the rights to subscribe for a total of 247,987,622 Shares at an exercise price of HK$0.091 per Share were granted to 22 individuals, subject to the acceptance to the grantees under the 2018 Share Option Scheme. Among the options granted, 184,000,000 Options were granted to the following Directors (the "Conditional Grantees"), subject to the approval from the shareholders of the Company in the general meeting pursuant to Rule 17.03(4) of the Listing Rules and the terms of the 2018 Share Option Scheme, details of which had been set out in the Company's circular dated 26 July 2019:

Name of Director	Number of Options granted
Liang Jun	21,000,000
Fu Yongyuan	71,000,000
Wu Jian	71,000,000
Yu Baodong	21,000,000

On 15 August 2019, the ordinary resolutions approving the grant of the options to the respective Conditional Grantees have been duly passed by the shareholders at the general meeting.

Share Consolidation

As disclosed in the Company's announcement dated 10 July 2019, the Board has proposed to implement the share consolidation (the "Share Consolidation") on the basis of every five shares into one consolidated share (the "Consolidated Share(s)"). Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches to the extremities of HK$0.01 or HK$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of securities. The Stock Exchange in November 2018 reminded the Company that the Stock Exchange considered trading price under HK$0.10 is close to such extremity and would not consider approving listing on future fund raising if the Share price of the Company is close such extremity. By way of implementing the Share Consolidation and upon it becoming effective, the Company would be able to comply with the trading requirements of the Listing Rules and eliminate the negative risk associated with not being able to obtain necessary listing approval for fund raising exercises, including the 2019 CB Placing. Details of the Share Consolidation had been disclosed in the Company's circular dated 26 July 2019.

In the general meeting held on 15 August 2019, the ordinary resolution approving the Share Consolidation has been passed by the shareholders of the Company and thus, the Share Consolidation has become effective on 19 August 2019.

Consequential to the Share Consolidation having become effective on 19 August 2019, adjustments have been made to (i) the exercise price of the outstanding options granted under the 2008 Share Option Scheme and 2018 Share Option Scheme respectively and the number of Consolidated Shares to be issued upon exercise of subscription rights attaching to the outstanding options; and (ii) the conversion price of the existing convertible bonds and the number of Consolidated Shares to be issued upon conversion of the existing convertible bonds. Details of the aforesaid adjustments have been disclosed in the Company's announcement dated 15 August 2019.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Company is committed in maintaining high standard of corporate governance and considers that effective corporate governance enhances corporate success and its shareholder value. It has adopted and applied the principles as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code"). Throughout the six months ended 30 June 2019, the Company has complied with the CG Code save as 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 2000. The duties of Chief Executive have been performed by other Executive Directors of the Company. 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. However, the Board will review the current structure of the Board 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.6.7

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Mr. Yu Baodong, the Chairman and a non-executive director, was absent from the 2019 annual general meeting held on 27 May 2019 due to other business engagement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as 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 Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code throughout the period under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2019 and up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee, which expressed no disagreement with the accounting treatments adopted in preparation of the condensed consolidated interim financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites on the Stock Exchange (http://www.hkex.com.hk) and the Company (https://www.aelg.com.hk). The interim report of the Company for the six months ended 30 June 2019 will be despatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board
Asia Energy Logistics Group Limited
Liang Jun
Executive Director

Hong Kong, 23 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, 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. Wong Yin Shun.