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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 INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2021**

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 2021, 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 2021

		For the six months ended	
		30 June	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(re-presented)
Continuing operations			
Revenue	3	24,674	23,668
Cost of services		<u>(22,888)</u>	<u>(18,990)</u>
Gross profit		1,786	4,678
Other income	4	1,635	1,499
Depreciation		(2,264)	(1,572)
Staff costs		(11,825)	(6,540)
Change in fair value of financial assets at FVPL		2,135	(1,301)
Change in fair value of derivative components of GIC Convertible Bonds		—	(11,705)
Other administrative and operating expenses		(8,436)	(7,339)
Finance costs	6	<u>(3,388)</u>	<u>(13,768)</u>
Loss before tax from continuing operations	7	(20,357)	(36,048)
Income tax expense	8	<u>—</u>	<u>—</u>
Loss for the period from continuing operations		<u>(20,357)</u>	<u>(36,048)</u>
Discontinued operations			
Loss for the period from discontinued operations	9	<u>(756)</u>	<u>(6,934)</u>
Loss for the period		(21,113)	(42,982)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		<u>214</u>	<u>2,995</u>
Total comprehensive loss for the period		<u>(20,899)</u>	<u>(39,987)</u>

		For the six months ended	
		30 June	
		2021	2020
Note		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited) (re-presented)
Loss for the period attributable to owners of the Company:			
	— from continuing operations	(19,894)	(36,048)
	— from discontinued operations	(756)	(6,934)
		<u>(20,650)</u>	<u>(42,982)</u>
Loss for the period attributable to non-controlling interests:			
	— from continuing operations	(463)	—
	— from discontinued operations	—	—
		<u>(463)</u>	<u>—</u>
Total comprehensive loss for the period attributable to:			
	— Owners of the Company	(20,440)	(39,987)
	— Non-controlling interests	(459)	—
		<u>(20,899)</u>	<u>(39,987)</u>
Loss per share attributable to owners of the Company			
Basic and diluted			
	— from continuing operations (<i>HK cents</i>)	10 (1.17)	(7.27)
	— from discontinued operations (<i>HK cents</i>)	10 (0.04)	(1.40)
		<u>(1.21)</u>	<u>(8.67)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		157,283	162,889
Goodwill	12	1,026	—
Intangible asset		1,000	1,000
Right-of-use assets		10,835	2,187
		<u>170,144</u>	<u>166,076</u>
Current assets			
Trade and other receivables	13	9,005	8,007
Financial assets at FVPL		28,122	4,522
Bank balances and cash		69,987	76,754
		<u>107,114</u>	89,283
Asset classified as held for sale		—	24,858
		<u>107,114</u>	<u>114,141</u>
Current liabilities			
Trade and other payables	14	8,025	9,603
Lease liabilities		4,692	1,192
		<u>12,717</u>	10,795
Net current assets		<u>94,397</u>	103,346
Total assets less current liabilities		<u>264,541</u>	269,422
Non-current liabilities			
2019 Convertible Bonds	15	400	370
2020 Convertible Bonds	16	26,335	21,784
Lease liabilities		6,619	1,164
		<u>33,354</u>	23,318
NET ASSETS		<u><u>231,187</u></u>	<u><u>246,104</u></u>

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital	<i>17</i>	1,906,379	1,906,379
Reserves		<u>(1,680,715)</u>	<u>(1,660,275)</u>
Equity attributable to owners of the Company		225,664	246,104
Non-controlling interests		<u>5,523</u>	<u>—</u>
TOTAL EQUITY		<u>231,187</u>	<u>246,104</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 on the Stock Exchange (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 2020.

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 2020.

The financial information relating to the year ended 31 December 2020 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 2020 had been delivered to the Registrar of Companies in Hong Kong. An auditor’s report has been prepared on the specified financial statements for that year. 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. 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 2020 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 2021.

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

Amendments to HKAS 39,
HKFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform — Phase 2

The adoption of these amendments to HKFRSs does not have any significant impact on the condensed consolidated interim financial statements of the Group.

3. REVENUE

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(re-presented)
Continuing operations		
<i>Operating lease income</i>		
Charter-hire income	23,939	23,668
<i>Revenue from contract with customers within HKFRS 15</i>		
Telecommunications service income	735	—
	<u>24,674</u>	<u>23,668</u>

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

The Group did not enter into any contracts with customers within HKFRS 15 during the six months ended 30 June 2020.

4. OTHER INCOME

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(re-presented)
Bank interest income	21	—
Loan interest income	—	225
Subsidy income under Employment Support Scheme	—	405
Gain on disposal of property, plant and equipment	—	40
Gain on disposal of a subsidiary	—	80
Recharge of expenses to charter parties	289	503
Gain on disposal of financial assets at FVPL	499	—
Claims from insurance company	603	—
Sundry income	223	246
	<u>1,635</u>	<u>1,499</u>

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) Shipping and logistics
- (b) Telecommunications related business

Discontinued operations:

- (a) Shipping and logistics (in relation to the Vessel as defined in note 9)

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

Six months ended 30 June 2021 (Unaudited)	Telecommunications related business <i>HK\$'000</i>	Shipping and logistics (Continuing operations) <i>HK\$'000</i>	Shipping and logistics (Discontinued operations) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	735	23,939	457	25,131
Segment loss	(2,632)	(7,946)	(756)	(11,334)
Change in fair value of financial assets at FVPL				2,135
Other unallocated corporate expenses				(11,914)
Loss for the period				(21,113)
Other segment information:				
Depreciation of property, plant and equipment	(3)	(7,098)	—	(7,101)
Depreciation of right-of-use assets	(479)	(571)	—	(1,050)
Finance costs	(68)	(129)	—	(197)
Additions of property, plant and equipment	48	1,416	—	1,464

Six months ended 30 June 2020 (Unaudited)	Shipping and logistics (Continuing operations) <i>HK\$'000</i>	Shipping and logistics (Discontinued operations) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	23,668	8,475	32,143
Segment loss	(16,573)	(6,934)	(23,507)
Unallocated income			996
Other unallocated corporate expenses			(20,471)
Loss for the period			(42,982)
Other segment information:			
Change in fair value of derivative components of GIC Convertible Bonds	(11,705)	—	(11,705)
Depreciation of property, plant and equipment	(5,930)	(1,820)	(7,750)
Finance costs	(9,766)	—	(9,766)
Share of results of joint venture	—	(7,336)	(7,336)
	<u> </u>	<u> </u>	<u> </u>
	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)	
Assets			
Continuing operations			
Shipping and logistics	168,514		177,000
Telecommunications related business	44,205		25,001
Discontinued operations			
Shipping and logistics	438		27,111
Segment assets	213,157		229,112
Unallocated corporate assets	64,101		51,105
Consolidated total assets	<u>277,258</u>		<u>280,217</u>
Liabilities			
Continuing operations			
Shipping and logistics	4,104		7,458
Telecommunications related business	8,038		2,399
Discontinued operations			
Shipping and logistics	9		605
Segment liabilities	12,151		10,462
2019 Convertible Bonds	400		370
2020 Convertible Bonds	26,335		21,784
Other unallocated corporate liabilities	7,185		1,497
Consolidated total liabilities	<u>46,071</u>		<u>34,113</u>

Geographical information

Apart from the vessels and goodwill, approximately HK\$6,849,000 and HK\$5,486,000 of the Group's non-current assets are located in Hong Kong and the People's Republic of China (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.

Major customers

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

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
The PRC	<u>735</u>	<u>—</u>

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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Shipping and logistics		
Customer A	<u>23,939</u>	<u>23,668</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Interest on other borrowings	97	12
Interest on the GIC Convertible Bonds	—	9,766
Interest on the 2018 Convertible Bonds	—	1,156
Interest on the 2019 Convertible Bonds	37	2,678
Interest on the 2020 Convertible Bonds	2,838	—
Interest on lease liabilities	<u>416</u>	<u>156</u>
	<u>3,388</u>	<u>13,768</u>

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited) (re-presented)
Continuing operations		
Depreciation of property, plant and equipment:		
Recognised in cost of services	6,615	5,930
Recognised in other administrative and operating expenses	<u>488</u>	<u>335</u>
	<u>7,103</u>	<u>6,265</u>
Depreciation of right-of-use assets, recognised in other administrative and operating expenses	<u>1,776</u>	<u>1,237</u>
Staff costs (including director's remuneration):		
Employee benefits expenses	11,348	6,403
Contributions to defined contribution retirement schemes	<u>477</u>	<u>137</u>
	<u>11,825</u>	<u>6,540</u>

8. INCOME TAX

Hong Kong Profits Tax, if any, is calculated at 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits for the six months ended 30 June 2021. The PRC enterprise income tax, if any, is provided at the rate of 25% (six months ended 30 June 2020: Nil) on the estimated assessable profits of subsidiaries operating in the PRC.

No provision for income tax has been made as the Group entities either had no estimated assessable profits or incurred tax losses for the six months ended 30 June 2021 and 2020.

9. DISCONTINUED OPERATIONS

The results of the discontinued operations are summarised as follows:

	For the six months ended 30 June 2021 Vessel HK\$'000 (Unaudited)
Revenue	457
Cost of services	(1,511)
Other income	306
Operating costs	<u>(8)</u>
Loss before tax	(756)
Taxation	<u>—</u>
Loss after tax from discontinued operations and loss attributable to discontinued operations	<u><u>(756)</u></u>

	For the six months ended 30 June 2020 Ocean Path and Vessel Ocean Jade HK\$'000 HK\$'000 (Unaudited) (Unaudited) Total HK\$'000 (Unaudited)		
Revenue	8,475	—	8,475
Cost of services	(8,153)	—	(8,153)
Other income	116	—	116
Share of results of joint venture	—	(7,336)	(7,336)
Operating costs	<u>(21)</u>	<u>(15)</u>	<u>(36)</u>
Profit (Loss) before tax	417	(7,351)	(6,934)
Taxation	<u>—</u>	<u>—</u>	<u>—</u>
Profit (Loss) after tax from discontinued operations and profit (loss) attributable to discontinued operations	<u><u>417</u></u>	<u><u>(7,351)</u></u>	<u><u>(6,934)</u></u>

In previous years, the Group operated shipping and logistics business in the PRC through the joint venture invested by Ocean Jade Investments Limited (“Ocean Jade”). As a result of the dissolution of Ocean Path Limited (“Ocean Path”) and liquidation of Ocean Jade during the year ended 31 December 2020, the Group no longer operates shipping and logistics business in the PRC.

On 5 November 2020, Asia Energy Inc., an indirect wholly-owned subsidiary of the Company, entered into a memorandum of agreement for disposal of M/V Asia Energy (the “Vessel”), with the cash consideration of US\$3,300,000 (equivalent to approximately HK\$25,740,000). The disposal was completed on 20 January 2021.

The management considers that the disposal of the Vessel, which are previously grouped under shipping and logistics segment, dissolution of Ocean Path and liquidation of Ocean Jade constituted discontinued operations during the year ended 31 December 2020.

10. 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	
	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
		(re-presented)
Loss attributable to owners of the Company		
— Continuing operations	(19,894)	(36,048)
— Discontinued operations	(756)	(6,934)
	<u>(20,650)</u>	<u>(42,982)</u>
Weighted average number of ordinary shares for basic and diluted loss per share	<u>1,694,975,244</u>	<u>495,975,244</u>
	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
		(re-presented)
Loss per share		
Basic and diluted		
— Continuing operations (<i>HK cents</i>)	(1.17)	(7.27)
— Discontinued operations (<i>HK cents</i>)	(0.04)	(1.40)
	<u>(1.21)</u>	<u>(8.67)</u>

Diluted loss per share for the six months ended 30 June 2021 is same as the basic loss per share. The calculation of diluted loss per share for the six months ended 30 June 2021 does not assume the conversion of the Company’s outstanding convertible instruments since the conversion would result in an anti-dilutive effect on the basic loss per share.

Diluted loss per share for the six months ended 30 June 2020 is same as the basic loss per share. The calculation of diluted loss per share for the six months ended 30 June 2020 does not assume (i) the conversion of the Company's outstanding convertible instruments; (ii) the exercise of the Company's outstanding share options; and (iii) the issuance of the contingent consideration shares since the conversion and exercise would result in an anti-dilutive effect on the basic loss per share and the condition for issuance is not satisfied.

11. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2021 and 2020.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2021 and 2020.

12. GOODWILL

	<i>Note</i>	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Reconciliation of carrying amount			
As at 1 January		—	—
Acquisition of a subsidiary	<i>18</i>	<u>1,026</u>	<u>—</u>
As at 30 June 2021 and 31 December 2020		<u><u>1,026</u></u>	<u><u>—</u></u>

A goodwill of approximately HK\$1,026,000 arising from the acquisition of Beishang Limited (“Beishang BVI”), its subsidiaries and Beijing Beishang Xidian Technology Co., Ltd. (the “Consolidated Affiliated Entity”) (collectively the “Beishang Group”), representing the excess of the consideration transferred and the amount of non-controlling interest in the Beishang Group over the fair values of the identifiable assets acquired and the liabilities assumed as at 5 May 2021, has been recognised in the condensed consolidated financial statements during the six months ended 30 June 2021.

For the six months ended 30 June 2021, no impairment loss was made on the goodwill.

13. TRADE AND OTHER RECEIVABLES

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	<i>13(a)</i>		
— Lease income receivables		1,391	1,932
— Service income receivables		533	1,188
		<u>1,924</u>	<u>3,120</u>
Other receivables			
Amount due from GCGM	<i>13(b)</i>	3,002	3,002
Other debtors		3,216	3,882
Deposits		2,185	449
Prepayments		1,680	556
		<u>10,083</u>	<u>7,889</u>
Less: Loss allowance on amount due from GCGM	<i>13(b)</i>	<u>(3,002)</u>	<u>(3,002)</u>
		<u>7,081</u>	<u>4,887</u>
		<u><u>9,005</u></u>	<u><u>8,007</u></u>

13(a) Trade receivables

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

13(b) Amount due from Golden Concord Group Management Limited (“GCGM”)

As at 30 June 2021 and 31 December 2020, the balance was guaranteed by Golden Concord Group Limited, carried interest at fixed rate of 18% per annum and past due over 180 days, net off impairment loss of HK\$3,002,000.

14. TRADE AND OTHER PAYABLES

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	<i>14(a)</i>	<u>539</u>	<u>4,157</u>
Other payables			
Accruals and other payables		3,851	4,516
Receipts in advance		492	930
Other borrowings from a regulated securities broker	<i>14(b)</i>	<u>3,143</u>	<u>—</u>
		<u>7,486</u>	<u>5,446</u>
		<u><u>8,025</u></u>	<u><u>9,603</u></u>

14(a) Trade payables

As at 30 June 2021 and 31 December 2020, all trade payables aged within 30 days, based on the invoice date.

14(b) Other borrowings from a regulated securities broker

As at 30 June 2021, the other borrowings from a regulated securities broker are secured by securities listed in Hong Kong of HK\$14,402,000 and repayable on demand, bear interest at rate of 10% per annum.

15. 2019 CONVERTIBLE BONDS

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

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

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

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

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

	<i>HK\$'000</i>
As at 31 December 2020 (Audited)	370
Imputed interest expenses	37
Payment of interest expenses	<u>(7)</u>
As at 30 June 2021 (Unaudited)	<u><u>400</u></u>

16. 2020 CONVERTIBLE BONDS

On 8 March 2020, the Company, entered into a subscription agreement with Oriental Solar Group Limited (“Oriental Solar”), pursuant to which Oriental Solar has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue the convertible bonds (“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 condensed consolidated interim financial statements.

At initial recognition, the 2020 Convertible Bonds are separated into a liability component and an equity component representing the conversion options of the bondholders. The values of the liability component and the equity component were determined at the issue date. The fair value of the liability component was calculated using a market interest rate of 19.64% per annum for instruments without a conversion option of comparable credit status which is referenced to professional valuation conducted by an independent professional qualified valuer. The residual amount, representing the value of the equity component, has been included in the convertible bonds reserve.

The fair value of the 2020 Convertible Bonds is determined using valuation model for which involved unobservable inputs. The day-one loss, which represented the difference between the nominal value and the fair value of the 2020 Convertible Bonds at the issue date, is not recognised in the condensed consolidated statement of comprehensive income immediately but is deferred.

The carrying value of the liability component and the equity component of the 2020 Convertible Bonds is net of the deferred day-one loss which is allocated to the liability component and the equity component on the same allocation basis of the allocation of the fair value of the 2020 Convertible Bonds. The deferred day-one loss in the liability component will be amortised over the term of the 2020 Convertible Bonds on the basis similar with the effective interest method and included in “Other administrative and operating expenses” in the condensed consolidated statement of comprehensive income and the deferred day-one loss in the equity component will be accounted for in the same basis as the equity component.

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

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

	Gross amount <i>HK\$'000</i>	Deferred day-one loss <i>HK\$'000</i>	Net amount <i>HK\$'000</i>
Fair value of liability component as at the issue date at fair value	28,031	(10,275)	17,756
Imputed interest expenses	2,459	—	2,459
Amortisation of deferred day one loss	—	1,569	1,569
	<hr/>	<hr/>	<hr/>
At 31 December 2020 (Audited)	30,490	(8,706)	21,784
Imputed interest expenses	2,838	—	2,838
Amortisation of deferred day one loss	—	1,713	1,713
	<hr/>	<hr/>	<hr/>
At 30 June 2021 (Unaudited)	<u>33,328</u>	<u>(6,993)</u>	<u>26,335</u>

17. SHARE CAPITAL

	At 30 June 2021		At 31 December 2020	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Issued and fully paid:				
As at 1 January	1,694,975,244	1,906,379	495,975,244	1,709,316
Subscription shares issued on subscription, net of issue costs	—	—	1,100,000,000	172,930
Shares issued on placing, net of issue costs	—	—	99,000,000	24,133
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2021 and 31 December 2020	<u>1,694,975,244</u>	<u>1,906,379</u>	<u>1,694,975,244</u>	<u>1,906,379</u>

18. ACQUISITION OF A SUBSIDIARY

As disclosed in the Company's announcement dated 5 May 2021, a wholly-owned subsidiary of the Company, Sky Universe Investment Company Limited, completed the acquisition of 60% equity interest in Beishang BVI, a company incorporated in the British Virgin Islands with limited liability.

An indirectly wholly-owned subsidiary of Beishang BVI (the "WFOE"), incorporated in the PRC, has contractual arrangements (the "Contractual Agreements") with the Consolidated Affiliated Entity and its shareholders pursuant to which the WFOE is able to effectively control and receive substantially all of the economic benefits from the Consolidated Affiliated Entity. The Consolidated Affiliated Entity holds the ICP license for the purpose of conducting value-added telecommunications services in the PRC. The background of the Consolidated Affiliated Entity and the details of the Contractual Agreements are detailed in the Company's announcement dated 30 April 2021.

As a result of the business combination, the Group is expected to diversify its business into telecommunications related business.

A goodwill of HK\$1,026,000 arising on the acquisition has been recognised in the condensed consolidated interim financial statements during the six months ended 30 June 2021 as detailed in note 12.

19. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following significant related party transactions during the six months ended 30 June 2021:

- 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Salaries and other benefits	2,750	2,131
Contributions to defined contribution retirement scheme	18	30
	<u>2,768</u>	<u>2,161</u>

- b) Interest expenses in relation to the GIC Convertible Bonds of Nil (six months ended 30 June 2020: HK\$9,766,000) were charged by GIC Investment Limited.
- c) Consultancy fee of HK\$360,000 (six months ended 30 June 2020: HK\$360,000) paid to Chatwin Financial PR Company Limited which is beneficially owned by Mr. Wu Jian, a director of certain subsidiaries of the Company.
- d) Loan interest income on amount due from GCGM of Nil (six months ended 30 June 2020: HK\$225,000) was charged to GCGM.
- e) Interest expenses in relation to the 2020 Convertible Bonds of approximately HK\$2,838,000 (six months ended 30 June 2020: Nil) was charged by Oriental Solar, the substantial shareholder of the Company.

The related party transactions disclosed in notes 19(b), 19(c), 19(d) and 19(e) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Company and its subsidiaries (together, the “Group”), were principally engaged in the (i) shipping and logistics business and (ii) telecommunication related business in the People’s Republic of China (the “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 (30 June 2020: about 92,000 DWT).

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

Although there was fluctuation in the Baltic Dry Index (BDI) which measures the demand for shipping capacity versus the supply of dry bulk, the charter rates for the Group’s own fleet were maintained at a profitable level during the first half of 2021.

For the period under review, the Group recorded a revenue of approximately HK\$23,939,000 (six months ended 30 June 2020: approximately HK\$23,668,000), representing an increase of approximately 1% as compared to the corresponding period of 2020. The gross profit was approximately HK\$1,051,000 (six months ended 30 June 2020: approximately HK\$4,678,000), representing a decrease of approximately 78% as compared to the same period of 2020. The increase in the revenue and the decrease in gross profit were due to the increase in hire rates and the increase in the staff costs of the crew members respectively.

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

Telecommunications Related Business

The Group completed the acquisition of a SMS business via Beishang Limited in May 2021. For the period under review, the SMS business contributed a revenue of approximately HK\$735,000 to the Group.

Discontinued Operations

The Group had started its shipping business in the PRC in May 2010 through the JV Group. The JV Group had two handysize vessels with carrying capacity of approximately 35,000 DWT each operating in the PRC domestic shipping market.

With regard to the continuous recognition of 50% share of loss of the JV Group since its formation and in the foreseeable future, whilst the Group on its own has been operating its own fleet of vessels and continuing to engage in the shipping and logistics business, the investment in the JV Group no longer served as a viable business opportunity with a profitable prospect for the Group. The Board was of the view that putting the JV Group into liquidation via liquidation of i) Ocean Path Limited (“Ocean Path”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability and ii) Ocean Jade Investments Limited (“Ocean Jade”), a company incorporated in the BVI with limited liability and its equity interest was then 100% held by Ocean Path, which in turn held 50% equity interest in the JV Group, was in the best interests of the Company and its shareholders as a whole principally because this would enable the Company to reduce its losses in connection with the JV Group whereas the resources and management efforts could be placed on the shipping and logistic business operated by the Group itself. Details of the liquidation of Ocean Jade were set out in the announcement of the Company dated 21 August 2020 (the “JV Liquidation”).

Upon the JV Liquidation, the Group had lost control over Ocean Path and Ocean Jade and as a result, the JV Group was derecognised in the consolidated financial statements during the year ended 31 December 2020. The JV Liquidation was then completed in January 2021.

In addition, the Group also disposed of MV Asia Energy to an independent third party at a consideration of US\$3,300,000 (equivalent to approximately HK\$25,740,000) in January 2021. Accordingly, the result of MV Asia Energy was accounted for as discontinued operation for the six months ended 30 June 2021.

PROSPECTS

Shipping and Logistics

The management of the Company expects that the shipping and logistics business will continue generating stable contributions in the upcoming year because the two vessels are on charter contracts which will run until mid-2022.

Telecommunications Related Business

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

In July 2021, the 5G mobile communication base stations developed by the Group obtained the Radio Transmission Equipment Type Approval Certificates and Network Access Licence issued by the Ministry of Industry and Information Technology of the PRC, and their signal frequency range covers China Mobile, which are mainly used for voice and data communication and provide with wireless coverage, to realize wireless signal transmission between wired communication networks and wireless terminal and support independent networking and other functions. The Group will continue to provide customers with highly competitive communication products with keen market insight, leading technology and comprehensive services to meet the rapidly growing market demand and achieve common development with users.

FINANCIAL REVIEW

For the period under review, the unaudited revenue of the Group was approximately HK\$24,674,000 (six months ended 30 June 2020: approximately HK\$23,668,000), representing an increase of approximately 4% as compared to the corresponding period of 2020.

The Group recorded a loss from continuing operations for the period under review of approximately HK\$20,357,000 (six months ended 30 June 2020: approximately HK\$36,048,000) representing a decrease of approximately 44% as compared to the corresponding period of 2020. The decrease in loss from continuing operations was mainly attributable to (i) the decrease in finance costs and (ii) the absence of change in the fair value of derivative components of the convertible bonds resulted from the repayment of the convertible bonds in July 2020. The loss for the period under review of the Group amounted to approximately HK\$21,113,000 (six months ended 30 June 2020: approximately HK\$42,982,000), representing a decrease of approximately 51% as compared to the corresponding period of last year.

For the period under review, the basic and diluted loss per share from continuing operations was HK1.17 cents (30 June 2020: HK7.27 cents) whilst the basic and diluted loss per share from discontinued operations was HK0.04 cents (30 June 2020: HK1.40 cents).

Financial Resources, Liquidity and Gearing Ratio

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

As at 30 June 2021, the Group had bank and cash balances of approximately HK\$69,987,000 (31 December 2020: approximately HK\$76,754,000).

As at 30 June 2021, the Group had no bank loans (31 December 2020: Nil).

As at 30 June 2021, the gearing ratio of the Group was approximately 20% (31 December 2020: approximately 14%). For this purpose, the gearing ratio is calculated as total debt divided by total equity.

Share Capital

As at 30 June 2021, the total number of shares in issue was 1,694,975,244.

Convertible Bonds

2019 Convertible Bonds

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 places to subscribe for the convertible bonds in the aggregate principal amount of HK\$60,000,000 for a term of three years (the “2019 CB”), 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\$0.30 after share consolidation) per conversion share, a total of 1,000,000,000 conversion shares (equivalent to 200,000,000 conversion shares after share consolidation) will be allotted and issued upon exercise of the conversion rights in full of the 2019 CB under the specific mandate granted by the shareholders of the Company in the General Meeting which was held on 15 August 2019, details of the 2019 CB 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 was passed by the shareholders. Upon the share consolidation becoming effective on 19 August 2019, the initial conversion price per conversion share was adjusted from HK\$0.06 to HK\$0.30 and the number of conversion shares to be issued and allotted upon full exercise of the 2019 CB was adjusted from 1,000,000,000 shares to 200,000,000 shares, respectively.

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

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

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

Except for a principal amount of HK\$500,000, the remaining balance of the 2019 CB was fully settled during the financial year ended 31 December 2020. As at the date of this announcement, the outstanding principal amount of the 2019 CB was HK\$500,000.

2020 Convertible Bonds

On 8 March 2020, the Company entered into the subscription agreement with Oriental Solar Group Limited, pursuant to which the Company agree to issue the convertible bonds for a term of 3 years (“2020 CB”), on the terms and subject to the condition set out in the subscription agreement (“Subscription Agreement”). Based on the initial conversion price of HK\$0.16 per conversion share, a total of 300,000,000 shares will be allotted and issued upon exercise of the conversion rights in full of the 2020 CB, under the specific mandate of the Company to be granted by the shareholders at a general meeting of the Company.

At the Company’s general meeting held on 9 July 2020, an ordinary resolution approving the Subscription Agreement and the grant of the specific mandate was duly passed by the shareholders thereat.

On 13 July 2020, the Company announced that all the conditions precedent to the Subscription Agreement have been fulfilled and the closing took place on 13 July 2020. As at the date of this announcement, the outstanding principal amount of the 2020 CB was HK\$48,000,000.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plan for Material Investments or Capital Assets

Save for those disclosed in the sections headed “Business Review” and “Prospects” above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

As at the date of this announcement, save as disclosed herein, there was no plan authorized by the Board for any material investments or additions of capital assets.

Pledge of Assets and Contingent Liabilities

As at 30 June 2021, the financial assets at fair value through profit or loss of HK\$28,122,000 (31 December 2020: Nil) was pledged as collateral for a margin facilities of HK\$3,143,000 granted by a regulated securities broker.

As at 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, the Group had no capital commitment (31 December 2020: Nil).

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.

EMPLOYEES

As at 30 June 2021, the Group had 45 (31 December 2020: 20) full-time employees in Hong Kong and the PRC. Staff costs of the Group for the period under review, including Directors' remuneration, were approximately HK\$11,825,000 (30 June 2020: approximately HK\$6,540,000). The Group decides the remunerations payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participates in a defined contribution mandatory provident fund scheme and the retirement benefit scheme for its Hong Kong and PRC employees respectively.

The Company had adopted the 2018 Option Scheme on 20 August 2018. As at 30 June 2021, there were no outstanding options granted under the 2018 Share Option Scheme entitling the holders thereof to subscribe for shares.

CHANGE IN DIRECTORSHIP

During the period under review, there were no changes in Directors of the Company.

USE OF NEW PROCEEDS

1. As at the date of this announcement, the utilization of the net proceeds amounting to approximately HK\$222,000,000 raised from the Subscription is set out below:

Intended Uses	Allocation <i>HK\$ million</i>	Utilization as at 20 August 2021, being the date of this announcement <i>HK\$ million</i>	Remaining Balance <i>HK\$ million</i>
Repayment of the GIC CB, the 2018 CB and the 2019 CB	169	169	—
General working capital of the Group	20	20	—
Further acquisition of vessel or potential business development	33	11	22
Total	222	200	22

2. As at the date of this announcement, the utilization of the net proceeds amounting to approximately HK\$24,000,000 raised from the placing completed on 17 September 2020 is set out below:

Intended Uses	Allocation <i>HK\$ million</i>	Utilization as at 20 August 2021, being the date of this announcement <i>HK\$ million</i>	Remaining Balance <i>HK\$ million</i>
Further acquisition of vessel	24	—	24
Total	24	—	24

The Group is in the process of identifying potential target vessels suitable for its proposed acquisition. However, the price of vessels available for sale in the market was fluctuated as indicated by BDI that which has increased by over 140% since the beginning of 2021. The Group has been in close watch of the market conditions and the vessel acquisition will only materialise in the best interest of the Company should an acquisition opportunity arises.

It is expected that the remaining balance of above new proceeds would be utilized by 2021.

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. The Company has adopted and applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2021, 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 E.1.2

Code provision E.1.2 stipulates that the Chairman should attend General Meetings. Mr. Pang Yuet, the Chairman and an executive director was absent from the annual general meeting held on 28 May 2021 due to other business engagements.

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 2021 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 2021 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 2021 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
Pang Yuet
Chairman and Executive Director

Hong Kong, 20 August 2021

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.