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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 2020**

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 2020, 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 2020

		For the six months ended 30 June	
		2020	2019
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Re-presented)
Continuing operations			
Revenue	3	32,143	30,059
Cost of sales		<u>(27,143)</u>	<u>(24,845)</u>
Gross profit		5,000	5,214
Other income	4	1,615	891
Depreciation		(1,572)	(1,595)
Staff costs		(6,540)	(8,635)
Change in fair value of financial assets at FVPL		(1,301)	—
Change in fair value of contingent consideration payable		—	1,136
Change in fair value of derivative components of GIC			
Convertible Bonds		(11,705)	2,056
Share of results of joint venture		(7,336)	(3,743)
Other operating expenses		(7,375)	(4,386)
Finance costs	6	<u>(13,768)</u>	<u>(10,247)</u>
Loss before tax from continuing operations	7	(42,982)	(19,309)
Income tax expense	8	<u>—</u>	<u>—</u>
Loss for the period from continuing operations		<u>(42,982)</u>	<u>(19,309)</u>
Discontinued operations			
Loss for the period from discontinued operations		<u>—</u>	<u>(29,520)</u>
Loss for the period		(42,982)	(48,829)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		<u>2,995</u>	<u>1,192</u>
Total comprehensive loss for the period		<u>(39,987)</u>	<u>(47,637)</u>

		For the six months ended 30 June	
		2020	2019
Note		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited) (Re-presented)
Loss for the period attributable to owners of the Company:			
	— from continuing operations	(42,982)	(19,309)
	— from discontinued operations	—	(16,736)
		<u>(42,982)</u>	<u>(36,045)</u>
Loss for the period attributable to non-controlling interests:			
	— from continuing operations	—	—
	— from discontinued operations	—	(12,784)
		<u>—</u>	<u>(12,784)</u>
Total comprehensive loss for the period attributable to:			
	— Owners of the Company	(39,987)	(35,354)
	— Non-controlling interests	—	(12,283)
		<u>(39,987)</u>	<u>(47,637)</u>
Loss per share attributable to owners of the Company			
Basic and diluted			
	— from continuing operations (HK cents)	9 (8.67)	(3.89)
	— from discontinued operations (HK cents)	9 —	(3.38)
		<u>(8.67)</u>	<u>(7.27)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		195,209	203,295
Intangible asset		1,000	1,000
Interest in a joint venture		—	—
Right-of-use assets		1,088	2,325
		<u>197,297</u>	<u>206,620</u>
Current assets			
Trade and other receivables	12	9,525	14,381
Financial assets at FVPL		3,217	7,037
Bank balances and cash		5,696	8,414
		<u>18,438</u>	<u>29,832</u>
Current liabilities			
Trade and other payables	13	16,207	19,474
GIC Convertible Bonds	14	90,310	83,301
Derivative components of GIC Convertible Bonds		9,354	—
Amount due to a joint venture	18(c)	155,781	151,443
Lease liabilities		1,231	2,474
		<u>272,883</u>	<u>256,692</u>
Net current liabilities		<u>(254,445)</u>	<u>(226,860)</u>
Total assets less current liabilities		<u>(57,148)</u>	<u>(20,240)</u>

		At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Contingent consideration payable		—	—
2018 Convertible Bonds	15	14,746	13,814
2019 Convertible Bonds	16	29,059	26,912
		<u>43,805</u>	<u>40,726</u>
NET LIABILITIES		<u>(100,953)</u>	<u>(60,966)</u>
Capital and reserves			
Share capital	17	1,709,316	1,709,316
Reserves		<u>(1,810,269)</u>	<u>(1,770,282)</u>
TOTAL DEFICITS		<u>(100,953)</u>	<u>(60,966)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

1.1 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 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 2019.

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 2019.

The financial information relating to the year ended 31 December 2019 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 2019 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;
- referred to a matter to which the auditor drew attention by way of emphasis without qualifying the report; and
- did not contain a statement under section 406(2) or 407(2) or (3) of the Hong Kong Companies Ordinance.

1.2 Going concern assumption

As at 30 June 2020, the Group had net current liabilities of approximately HK\$254,445,000 and net liabilities of approximately HK\$100,953,000. In addition, it incurred a loss of approximately HK\$42,982,000 from continuing operations for the six months ended 30 June 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(a) Fund raising activities

On 8 March 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber, Oriental Solar Group Limited ("OSG"), pursuant to which OSG has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, (i) a total of 1,100,000,000 subscription shares at the subscription price of HK\$0.16 per subscription share; and (ii) 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 "Subscription"). The gross proceeds from the Subscription will be in aggregate HK\$224 million of which (i) HK\$176 million will be from the subscription of new shares; and (ii) HK\$48 million will be from the subscription of convertible bonds. The net proceeds of the Subscription are estimated to be approximately HK\$222 million. The Subscription was completed on 13 July 2020 as disclosed in note 19.

The Company intended to apply the net proceeds to be raised from the Subscription of (i) approximately HK\$170 million for the repayment of the GIC Convertible Bonds (as defined in note 14), the 2018 Convertible Bonds (as defined in note 15) and the 2019 Convertible Bonds (as defined in note 16) with accrued interests; (ii) approximately HK\$20 million for general working capital of the Group; and (iii) the remaining balance of approximately HK\$32 million for further acquisition of vessel and/or potential business development as the Company has been actively looking for other new business opportunities from time to time.

(b) Obligations arising from the joint venture

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

In addition, the amount due to a joint venture as recorded in the condensed consolidated statement of financial position arose from share of operating losses of the joint venture in the current and previous years pursuant to the shareholders agreement entered into between a subsidiary of the Company (the "Subsidiary") and the joint venture partner. The Group has not received any requests from the joint venture to settle the amount due to the joint venture up to the date of this announcement and the directors do not expect that the joint venture will demand settlement in the next twelve months from 30 June 2020. Even if the joint venture demands immediate settlement, since the Group has not provided any guarantees to indemnify the liabilities of the Subsidiary, the directors do not consider that it will have any significant impact on the Group's ability to continue as a going concern.

The management has prepared a cash flow forecast covering a period up to 30 June 2021 which is satisfied by the directors, after taking into account the factors as mentioned above, that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 30 June 2020. Accordingly, the directors consider that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

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 2019 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 2020.

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

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

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

3. REVENUE

Revenue represents the amount received and receivable for time charters:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
<i>Operating lease income</i>		
Charter-hire income	<u>32,143</u>	<u>30,059</u>

The Group did not enter into any contracts with customers within HKFRS 15 during the periods ended 30 June 2020 and 30 June 2019.

4. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Re-presented)
Subsidy income under Employment Support Scheme	405	—
Reversal of impairment loss of consideration receivable	—	600
Loan interest income	225	—
Gain on disposal of property, plant and equipment	40	—
Gain on disposal of a subsidiary	80	—
Sundry income	865	291
	<u>1,615</u>	<u>891</u>

5. SEGMENT INFORMATION

The directors, being 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. Upon the disposal of the railway construction and operations business, the directors regard the shipping and logistics business as the only operating segment of the Group and no further operating segment analysis thereof is presented.

The directors assess the performance of this single segment based on a measure of revenue and operating results before income tax. A measure of total assets and total liabilities for this single segment is the total assets and total liabilities on the condensed consolidated statement of financial position.

Geographical information

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

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

Major customers

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	23,668	22,269
Customer B	8,475	7,790
	<u>32,143</u>	<u>30,059</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Interest on other borrowings	12	564
Interest on 2018 Convertible Bonds	1,156	1,015
Interest on 2019 Convertible Bonds	2,678	—
Interest on GIC Convertible Bonds	9,766	8,309
Interest on lease liabilities	156	359
	<u>13,768</u>	<u>10,247</u>

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Depreciation of property, plant and equipment:		
Recognised in cost of sales	7,750	5,028
Recognised in administrative expenses	335	432
	<u>8,085</u>	<u>5,460</u>
Depreciation of right-of-use assets, recognised in administrative expenses	<u>1,237</u>	<u>1,163</u>
Staff costs (including director's remuneration):		
Employee benefits expenses	6,403	8,443
Contributions to defined contribution retirement scheme	137	192
	<u>6,540</u>	<u>8,635</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong had no estimated assessable profits for the six months ended 30 June 2020 and 2019.

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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Re-presented)
Loss attributable to owners of the Company		
— Continuing operations	(42,982)	(19,309)
— Discontinued operations	<u>—</u>	<u>(16,736)</u>
Weighted average number of ordinary shares for basic and diluted loss per share (<i>Note</i>)	<u>495,975,244</u>	<u>495,975,244</u>
Loss per share		
Basic and diluted		
— Continuing operations (HK cents)	(8.67)	(3.89)
— Discontinued operations (HK cents)	<u>—</u>	<u>(3.38)</u>
	<u>(8.67)</u>	<u>(7.27)</u>

Note: Diluted loss per share for the periods ended 30 June 2020 and 2019 is same as the basic loss per share. The calculation of diluted loss per share for the periods ended 30 June 2020 and 2019 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.

10. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2020 and 2019.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2020 and 2019.

11. DISCONTINUED OPERATIONS

The results of the discontinued operations are summarised as follows:

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Revenue	—	—
Operating costs	—	(6,038)
Finance costs	—	(23,482)
	<u>—</u>	<u>(23,482)</u>
Loss before tax	—	(29,520)
Taxation	—	—
	<u>—</u>	<u>—</u>
Loss for the period from discontinued operations	<u>—</u>	<u>(29,520)</u>

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
	<i>Note</i>	
Trade receivables	<i>12(a)</i>	<u>—</u>
Other receivables		
Consideration receivable	—	9,150
Amount due from GCGM	<i>12(b)</i>	2,500
Refundable earnest money	—	7,566
Other debtors	3,234	2,775
Deposits	1,502	1,060
Prepayments	1,185	480
	<u>8,421</u>	<u>23,531</u>
Less: Loss allowance on consideration receivable	—	(9,150)
	<u>8,421</u>	<u>14,381</u>
	<u>9,525</u>	<u>14,381</u>

12(a) Trade receivables

As at 30 June 2020, all trade receivables aged from 1 month to 3 months (31 December 2019: Nil), based on the invoice date.

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

The balance was unsecured, carried interest at fixed rate of 18% per annum and repayable within one year (31 December 2019: The balance was unsecured, carried interest at fixed rate of 18% per annum and repayable within one year). GCGM is a company incorporated in Hong Kong with limited liability which is beneficially wholly owned by Mr. Zhu Gongshan (“Mr. Zhu”). Mr. Zhu is a beneficiary of a discretionary trust which is a substantial shareholder of the Company.

13. TRADE AND OTHER PAYABLES

		At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
	Note		
Trade payables	13(a)	958	1,468
Other payables			
Accruals and other payables		5,997	8,223
Amount due to GCGM	13(b)	8,211	8,373
Receipts in advance		1,041	1,410
		15,249	18,006
		16,207	19,474

13(a) Trade payables

As at 30 June 2020 and 31 December 2019, all trade payables aged within 30 days, based on the invoice date.

13(b) Amount due to GCGM

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

14. 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 instruments and are measured at fair value. The equity component is recognised in the convertible bonds reserve, whereas the liability component is recognised at amortised cost under current liabilities. The effective interest rate of the liability component on initial recognition is 22.59% per annum.

On 17 September 2019, the Company and GIC entered into a deed of amendment in relation to the terms of GIC Convertible Bonds pursuant to which (i) the initial conversion price was reduced from HK\$0.8505 per conversion share (after share consolidation) to HK\$0.375 per conversion share (after share consolidation); and (ii) the GIC Convertible Bonds shall be freely transferrable in whole or in part to any third party which is not a connected person (the “Amendments”). The Amendments is not accounted for as an extinguishment of the original financial liability of the GIC Convertible Bonds as the discounted present value of the cash flows of the GIC Convertible Bonds with the Amendments is less than 10% difference from the discounted present value of the cash flows of the GIC Convertible Bonds prior to the Amendments. The Amendments became effective on 20 November 2019.

As at 30 June 2020, one of the vessels of the Group with carrying amount of HK\$81,780,000 (31 December 2019: HK\$84,805,000) was pledged to GIC for the GIC Convertible Bonds. The Company has subsequently redeemed the GIC Convertible Bonds as disclosed in note 19.

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

	<i>HK\$'000</i>
As at 31 December 2019 (Audited)	83,301
Imputed interest expenses	9,766
Payment of interest expenses	<u>(2,757)</u>
As at 30 June 2020 (Unaudited)	<u><u>90,310</u></u>

15. 2018 CONVERTIBLE BONDS

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

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

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

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

As at 30 June 2020, one of the vessels of the Group with carrying amount of HK\$83,254,000 (31 December 2019: HK\$86,159,000) was pledged to the holders of the 2018 Convertible Bonds. The Company has subsequently repaid the 2018 Convertible Bonds as disclosed in note 19.

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

	<i>HK\$'000</i>
As at 31 December 2019 (Audited)	13,814
Imputed interest expenses	1,156
Payment of interest expenses	(224)
As at 30 June 2020 (Unaudited)	<u>14,746</u>

16. 2019 CONVERTIBLE BONDS

On 25 June 2019, the Company entered into a placing agreement (the “2019 CB Placing Agreement”) with VCB pursuant to which the Company proposed to offer for subscription, and VCB agreed to procure not less than six places 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 Company has subsequently repaid the 2019 Convertible Bonds in the principal amount of HK\$42,000,000 as disclosed in note 19.

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

	<i>HK\$'000</i>
As at 31 December 2019 (Audited)	26,912
Imputed interest expenses	2,678
Payment of interest expenses	<u>(531)</u>
As at 30 June 2020 (Unaudited)	<u><u>29,059</u></u>

17. SHARE CAPITAL

	At 30 June 2020		At 31 December 2019	
	<i>Number of</i>		<i>Number of</i>	
	<i>shares</i>	<i>HK\$'000</i>	<i>shares</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Issued and fully paid:				
As at 1 January 2020, 30 June 2020 and 31 December 2019	<u><u>495,975,244</u></u>	<u><u>1,709,316</u></u>	<u><u>495,975,244</u></u>	<u><u>1,709,316</u></u>

18. 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 2020:

- 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries and other benefits	2,131	2,469
Contributions to defined contribution retirement scheme	<u>30</u>	<u>33</u>
	<u><u>2,161</u></u>	<u><u>2,502</u></u>

- b) Interest expenses on other borrowings amounting to HK\$Nil for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$912,000) were charged by Golden Concord Holdings Limited, beneficially wholly owned by Mr. Zhu, and its subsidiaries.
- c) 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.
- d) Interest expenses in relation to GIC Convertible Bonds of approximately HK\$9,766,000 (six months ended 30 June 2019: HK\$8,309,000) were charged by GIC.

- e) Consultancy fee of HK\$360,000 (six months ended 30 June 2019: HK\$240,000) paid to Chatwin Financial PR Company Limited which is beneficially owned by Mr. Wu Jian, a director of the Company.
- f) Loan interest income on amount due from GCGM of approximately HK\$225,000 (six months ended 30 June 2019: Nil) was charged to GCGM.

The related party transactions disclosed in notes 18(b), 18(c), 18(d), 18(e) and 18(f) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

As set out in the Company's announcement dated 13 July 2020, all the conditions precedent to the Subscription Agreement have been fulfilled and completion took place in accordance with the terms and conditions of the Subscription Agreement. Upon completion, (i) a total of 1,100,000,000 subscription shares have been duly allotted and issued by the Company to OSG pursuant to the Subscription Agreement; and (ii) the convertible bonds in the principal amount of HK\$48,000,000 have been issued by the Company to OSG pursuant to the Subscription Agreement.

As set out in the Company's announcement dated 17 July 2020, the Company applied the net proceeds raised from the Subscription Agreement for the repayment of (i) approximately HK\$107.5 million of GIC Convertible Bonds with interests accrued thereon; (ii) approximately HK\$18.1 million of the 2018 Convertible Bonds with interests accrued thereon; and (iii) approximately HK\$42.2 million of the 2019 Convertible Bonds (save as HK\$500,000 principal amounts of the 2019 Convertible Bonds) with interests accrued thereon respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Company and its subsidiaries (together, the “Group”) together with its joint venture (the “JV”), were principally engaged in the shipping and logistics business.

Continuing Operations

Shipping and Logistics

The Group started its shipping business in May 2010 through the JV (the JV 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 charter rates for the Group’s own fleet were maintained at a profitable level during the first half of 2020.

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 2019: about 92,000 DWT).

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

For the period under review, the Group recorded a revenue of approximately HK\$32,143,000 (six months ended 30 June 2019: approximately HK\$30,059,000), representing an increase of approximately 7% as compared to the corresponding period of 2019. The gross profit was approximately HK\$5,000,000 (six months ended 30 June 2019: approximately HK\$5,214,000), representing a decrease of approximately 4% as compared to the same period of 2019. 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.

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\$22,600,000 (six months ended 30 June 2019: approximately HK\$31,955,000), representing a decrease of approximately 29% as compared to the corresponding period of 2019. The Group's share of loss from the JV Group was approximately HK\$7,336,000 (six months ended 30 June 2019: approximately HK\$3,743,000). The increase in the share of loss from the JV Group was due to the decrease in quantity of shipment resulted from the outbreak of COVID-19 in China.

Pursuant to the joint venture agreement entered into on 1 December 2009 (as amended by a supplemental agreement dated 1 December 2009) (collectively, the "JV Agreement") among the parties to the JV Agreement, a total of four vessels are to be acquired. However, due to the continuing poor shipping market conditions for the past few years, the JV Group 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. As disclosed in the announcement made by the Company dated 4 December 2019, the JV and the JV shareholders entered into the 9th memorandum of mutual understanding to further extend the time for further acquisition of the two remaining vessels by the JV Group to 31 December 2020. In view of the outbreak of COVID-19, which has severely affected the shipping market conditions during the first half of 2020, the Group would keep on assessing the situation and make further announcement in this regard as and when appropriate.

Discontinued Operations

Railway Construction and Operations

As announced by the Company on 26 August 2019, Top Fast Holdings Limited, a wholly owned subsidiary of Gofar Holdings Limited, as vendor, among other parties, and Falcon Power Holdings Limited, as purchaser, (a wholly owned subsidiary of Golden Concord Holdings Limited, which is beneficially wholly owned by Mr. Zhu Gongshan, a connected person of the Company) entered into a conditional sale and purchase agreement in relation to the disposal of the entire issued share capital of China Railway Logistic Holdings Limited ("China Railway") at a consideration of RMB1.00. Upon fulfillment of all conditions precedent, completion of the disposal thereunder took place on 27 November 2019. After completion, the respective assets and liabilities and profits and losses of China Railway and its subsidiaries were no longer consolidated into the financial statements of the Company.

PROSPECTS

Shipping and Logistics

International Dry Bulk Shipping Market: The ongoing Sino-US trade war and the sudden outbreak of COVID-19 in the first half of 2020 have plunged the BDI into a downturn. Even the BDI has recently rebounded, it is still full of uncertainties in the second half of 2020.

China Dry Bulk Shipping Market: the sudden outbreak of COVID-19 creates negative impact on the domestic economy in China and a tremendous amount of uncertainty. It is expected that the impact of the epidemic in 2020 may be longer, and market uncertainty is further increasing.

Despite the uncertainties caused by the trade war and its potential adverse impact on the shipping market, the management of the Company expects that the Group's shipping and logistics business will continue generating positive contribution in coming years as two of the own vessels are on charter contracts which will run until 2022.

The Group will continuously seek for investment opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which will bring in synergy with and positive contributions to the existing business of the Group.

Financial Review

For the period under review, the unaudited revenue of the Group was approximately HK\$32,143,000 (six months ended 30 June 2019: approximately HK\$30,059,000), representing an increase of approximately 7% as compared to the corresponding period of 2019.

The Group recorded a loss from continuing operations for the period under review of approximately HK\$42,982,000 (six months ended 30 June 2019: approximately HK\$19,309,000) representing an increase of approximately 123% as compared to the same period of 2019. The increase in loss from continuing operations was mainly attributable to the adverse change in fair value of derivative components of GIC Convertible Bonds and increase in share of loss of the JV Group. The loss for the period under review of the Group amounted to approximately HK\$42,982,000 (six months ended 30 June 2019: approximately HK\$48,829,000), representing a decrease of approximately 12% as compared to the same period last year.

The loss per share from continuing operations was HK8.67 cents (30 June 2019: HK3.89 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 2020, the Group had bank and cash balances of approximately HK\$5,696,000 (31 December 2019: approximately HK\$8,414,000).

As at 30 June 2020, the Group had no bank loans and other borrowings (31 December 2019: Nil).

As at 30 June 2020, the gearing ratio of the Group was approximately 148% (31 December 2019: approximately 127%). For this purpose, the gearing ratio is calculated as net debt divided by adjusted capital.

Share Capital

As at 30 June 2020, the total number of shares (the "Share") in issue was 495,975,244.

Convertible Bonds

GIC Convertible Bonds

On 30 November 2017, the Company entered into a subscription agreement (the "GIC CB Agreement") with GIC Investment Limited ("GIC"), being a connected person of the Company, pursuant to which, the Company had conditionally agreed to issue, and GIC 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 (the "GIC CB").

On 26 January 2018, the resolution approving the GIC CB Agreement and the transactions contemplated thereunder was duly passed as an ordinary resolution by the shareholders of the Company (the "Shareholders"). The conditions precedent specified in the GIC 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 CB, details of which had been disclosed in the 2018 Annual Report.

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

On 17 September 2019, the Company and GIC had entered into a deed of amendment (the “Deed of Amendment”) to adjust the conversion price per conversion Share from HK\$0.8505 to HK\$0.375 and to allow the GIC CB freely transferrable in whole or in part to any third party, which is not a connected person (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) of the Company. The Deed of Amendment and the transactions contemplated thereunder constituted connected transactions of the Company and were duly approved by an ordinary resolution passed by the independent Shareholders at the Company’s General Meeting held on 11 November 2019. As all conditions precedent to the completion had been fulfilled and on 20 November 2019, the Deed of Amendment became effective. As such, the total number of Shares to be issued and allotted to GIC upon full conversion of the GIC CB at the conversion price of HK\$0.375 per conversion Share had further been adjusted from 117,577,895 Shares to 266,666,666 Shares.

On 15 July 2020, the Company had utilized HK\$107,500,000 out of the net proceeds raised from the subscription of the new Shares and convertible bonds pursuant to the subscription agreement dated 8 March 2020 entered into between the Company and Oriental Solar Group Limited (“the Subscription”) to redeem the GIC CB in full together with all interests accrued thereon by way of early redemption pursuant to the terms and conditions of the GIC CB (as amended by the Deed of Amendment dated 17 September 2019).

2018 Convertible Bonds

On 4 September 2018, the Company entered into a placing agreement (the “2018 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 (the “2018 CB”), on a best effort basis, on the terms and subject to the conditions as set out in the 2018 CB Placing Agreement (the “2018 CB Placing”). Based on the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 per conversion Share after Share Consolidation) per conversion Share, a total of 493,562,231 conversion Shares (equivalent to 98,712,446 conversion Shares after Share Consolidation) will be allotted and issued upon exercise of the conversion rights in full of the 2018 CB, under the general mandate of the Company granted by the Shareholders at the 2018 AGM held on 17 May 2018.

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

In light of the unfavourable market conditions subsequent to the entry by the parties of the 2018 CB Placing Agreement, on 18 October 2018, the Company and VCB, upon taking into account the progress of the 2018 CB Placing, 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 2018 CB and to revise the denomination of the 2018 CB from HK\$1,000,000 each to HK\$500,000 each upon their respective issue at closing.

On 8 November 2018, the Company announced that the conditions precedent specified in the 2018 CB Placing Agreement (as amended by the supplemental agreement dated 3 October 2018 and the second supplemental agreement dated 18 October 2018) had been fulfilled and the completion took place on 8 November 2018. A portion of the 2018 CB 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 conversion 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 utilised all of the net proceeds raised from the issue of the 2018 CB, details of which had been disclosed in the 2019 Annual Report.

On 17 July 2020, the Company had utilized HK\$18,100,000 out of the net proceeds raised from the Subscription to repay the 2018 CB in full together with all interests accrued thereon as agreed with the bondholders.

2019 Convertible Bonds

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 “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 placees, who are independent third parties to the Company.

As at 30 June 2020, the Company had utilized all of the net proceeds amounting to approximately HK\$40,725,000 raised from the issue of the 2019 CB and details are set out below:

Intended Uses	Allocation (HK\$)	Utilization as at	Utilization for	Remaining
		31 December 2019 (HK\$)	six months ended 30 June 2020 (HK\$)	Balance as at 30 June 2020 (HK\$)
Loan Repayments	11,000,000	11,000,000	—	—
Daily Operations and Logistics				
Business Development	22,225,000	18,587,000	3,638,000	—
Legal and Professional Fee	7,500,000	5,722,000	1,778,000	—
Total	40,725,000	35,309,000	5,416,000	—

On 17 July 2020, the Company had utilized HK\$42,200,000 out of the net proceeds raised from the Subscription to repay the 2019 CB (save as the principal amount of HK\$500,000 of the 2019 CB) together with interests accrued thereon as agreed with the bondholders. As at the date of this announcement, the outstanding principal amount of the 2019 CB was HK\$500,000.

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 of directors (the “Board”) for any material investments or additions of capital assets.

Pledge of Assets and Contingent Liabilities

As at 30 June 2020, two vessels of the Group with carrying amount of HK\$165,034,000 (31 December 2019: HK\$170,964,000) were pledged to the holders of the GIC Convertible Bonds and the 2018 Convertible Bonds.

As at 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: Nil).

Capital Commitments

As at 30 June 2020, the Group had no capital commitment (31 December 2019: 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.

CHANGE IN DIRECTORSHIP

During the period under review, there were changes in directors of the Company as follows:

- (i) On 10 February 2020, Mr. Liang Jun resigned as an executive director and a member of each of the Remuneration Committee and the Executive Committee of the Company; and

- (ii) On 21 February 2020, Mr. Chan Sing Fai was appointed as an independent non-executive director (“INED”) and a member of the Audit Committee of the Company.

SUBSEQUENT EVENTS

Events subsequent to the period under review are as follows:

On 8 March 2020, the Company entered into the subscription agreement with the subscriber, Oriental Solar Group Limited, a company 100% beneficially owned by Mr. Pang Yuet (the “Subscription Agreement”), pursuant to which, the subscriber had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue (i) a total of 1,100,000,000 subscription Shares at the subscription price of HK\$0.16 per subscription Share; and (ii) the convertible bonds in the principal amount of HK\$48,000,000 (the “Convertible Bonds”), which may be converted into 300,000,000 conversion Shares at the initial conversion price of HK\$0.16 per conversion Share (subject to adjustments). The gross proceeds from the Subscription was in aggregate HK\$224,000,000, of which (i) HK\$176,000,000 was from the subscription of 1,100,000,000 new Shares; and (ii) HK\$48,000,000 was from the subscription of the Convertible Bonds. Details of the Subscription Agreement including the grant of the specific mandate, the special deals and the whitewash waiver were disclosed in the Company’s circular dated 17 June 2020.

At the Company’s General Meeting held on 9 July 2020, resolutions approving the Subscription Agreement including the grant of specific mandate; the special deals and whitewash waiver had been duly passed by the independent Shareholders thereat and upon fulfillment of conditions precedent as set out in the Subscription Agreement, completion of which took place on 13 July 2020. As such, 1,100,000,000 new Shares were issued and allotted to the Subscriber and the Convertible Bonds in the principal amount of HK\$48,000,000 were issued, in accordance with the terms and conditions of the instrument constituting thereto, to the Subscriber on the same date.

After completion of the Subscription, the Company served an early redemption notice to GIC in accordance with the terms of the GIC CB instrument and utilized approximately HK\$107,500,000 out of the net proceeds raised from the Subscription to redeem the GIC CB in full together with all interests accrued thereon on 15 July 2020.

On 17 July 2020, the Company had further utilized approximately HK\$18,100,000 and HK\$42,200,000 out of the net proceeds from the Subscription to repay the 2018 CB in full and the 2019 CB (save as HK\$500,000 principal amount of the 2019 CB) with interests accrued thereon respectively.

As at the date of this announcement, the outstanding convertible bonds of the Company are (i) the 2019 CB in the principal amount of HK\$500,000 and (ii) the Convertible Bonds in the principal amount of HK\$48,000,000.

As at the date of this announcement, the Company had utilized the net proceeds amounting to approximately HK\$222,000,000 raised from the Subscription and details are set out below:

Intended Uses	Allocation (HK\$)	Utilization as at the date of this announcement (HK\$)	Remaining Balance (HK\$)
Repayment of the GIC CB, the 2018 CB and the 2019 CB	169,000,000	168,597,000	403,000
General working capital of the Group	20,000,000	—	20,000,000
Further acquisition of vessel or potential business development	33,000,000	—	33,000,000
Total	222,000,000	168,597,000	53,403,000

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 2020, 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 INEDs and other non-executive directors (“NEDs”) should attend General Meetings. Mr. Yu Baodong, the Chairman and a NED, and Mr. Wong Cheuk Bun, an INED, were absent from the 2020 annual general meeting held on 15 April 2020 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 2020 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 2020 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 2020 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, 7 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yuet (Chairman), Ms. Jian Qing, Mr. Fu Yongyuan and Mr. Wu Jian; and the independent non-executive directors of the Company are Mr. Ng Kwun Wan, Mr. Wong Cheuk Bun and Mr. Chan Sing Fai.