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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 2022  
AND CHANGE IN USE OF PROCEEDS**

**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 2022, 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 2022

		For the six months ended	
		30 June	
	Note	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>34,949</b>	24,674
Cost of services		<u>(38,035)</u>	<u>(22,888)</u>
<b>Gross (loss) profit</b>		<b>(3,086)</b>	1,786
Other income	4	<b>2,573</b>	1,635
Depreciation		<b>(2,638)</b>	(2,264)
Staff costs		<b>(11,772)</b>	(11,825)
Change in fair value of financial assets at FVPL		<b>(5,318)</b>	2,135
Other administrative and operating expenses		<b>(8,813)</b>	(8,436)
Finance costs	6	<u><b>(3,874)</b></u>	<u>(3,388)</u>
<b>Loss before tax from continuing operations</b>	7	<b>(32,928)</b>	(20,357)
Income tax expense	8	<u>–</u>	<u>–</u>
<b>Loss for the period from continuing operations</b>		<u><b>(32,928)</b></u>	<u>(20,357)</u>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	9	<u>–</u>	<u>(756)</u>
<b>Loss for the period</b>		<b>(32,928)</b>	(21,113)
<b>Other comprehensive (loss) income</b>			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		<u><b>(1,115)</b></u>	<u>214</u>
<b>Total comprehensive loss for the period</b>		<u><b>(34,043)</b></u>	<u>(20,899)</u>

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2022</b>	<b>2021</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to owners of the Company:</b>			
	– from continuing operations	<b>(32,037)</b>	(19,894)
	– from discontinued operations	–	(756)
		<u>–</u>	<u>(756)</u>
		<b>(32,037)</b>	<b>(20,650)</b>
		<u><b>(32,037)</b></u>	<u><b>(20,650)</b></u>
<b>Loss for the period attributable to non-controlling interests:</b>			
	– from continuing operations	<b>(891)</b>	(463)
	– from discontinued operations	–	–
		<u>–</u>	<u>–</u>
		<b>(891)</b>	<b>(463)</b>
		<u><b>(891)</b></u>	<u><b>(463)</b></u>
<b>Total comprehensive loss for the period attributable to:</b>			
	– Owners of the Company	<b>(32,944)</b>	(20,440)
	– Non-controlling interests	<b>(1,099)</b>	(459)
		<u><b>(1,099)</b></u>	<u>(459)</u>
		<b>(34,043)</b>	<b>(20,899)</b>
		<u><b>(34,043)</b></u>	<u><b>(20,899)</b></u>
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted			
	– from continuing operations ( <i>HK cents</i> )	10 <b>(1.89)</b>	(1.17)
	– from discontinued operations ( <i>HK cents</i> )	10 –	(0.04)
		<u>–</u>	<u>(0.04)</u>
		<b>(1.89)</b>	<b>(1.21)</b>
		<u><b>(1.89)</b></u>	<u><b>(1.21)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

		At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		147,419	153,749
Goodwill	12	1,026	1,026
Intangible asset		1,000	1,000
Right-of-use assets		5,906	8,520
		155,351	164,295
<b>Current assets</b>			
Trade and other receivables	13	16,759	8,743
Financial assets at FVPL		25,358	28,267
Bank balances and cash		31,590	53,378
		73,707	90,388
<b>Current liabilities</b>			
Trade and other payables	14	21,598	15,700
2019 Convertible Bonds	15	471	435
Lease liabilities		4,367	4,879
		26,436	21,014
<b>Net current assets</b>		47,271	69,374
<b>Total assets less current liabilities</b>		202,622	233,669
<b>Non-current liabilities</b>			
2020 Convertible Bonds	16	36,310	31,202
Lease liabilities		1,966	4,078
		38,276	35,280
<b>NET ASSETS</b>		164,346	198,389

		<b>At</b>	<b>At</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Capital and reserves</b>			
Share capital	17	<b>1,906,379</b>	1,906,379
Reserves		<b>(1,746,305)</b>	(1,713,361)
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>160,074</b>	193,018
<b>Non-controlling interests</b>		<b>4,272</b>	5,371
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>164,346</b>	198,389
		<hr/> <hr/>	<hr/> <hr/>

# 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 2021.

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 2021.

The financial information relating to the year ended 31 December 2021 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 Companies Ordinance but is derived therefrom.

The Company’s specified financial statements for the year ended 31 December 2021 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 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 2021 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 2022.

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

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

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
<i>Operating lease income</i>		
Charter-hire income	23,820	23,939
<i>Revenue from contract with customers within HKFRS 15</i>		
Telecommunications service income	11,129	735
	<u>34,949</u>	<u>24,674</u>

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

### 4. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	40	21
Subsidy income under Employment Support Scheme	128	–
Recharge of expenses to charter parties	158	289
Gain on disposal of financial assets at FVPL	–	499
Claims from insurance company	1,996	603
Sundry income	251	223
	<u>2,573</u>	<u>1,635</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 2022 (Unaudited)		Telecommunications related business <i>HK\$'000</i>	Shipping and logistics (Continuing operations) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers		11,129	23,820	34,949
Segment loss		(5,651)	(10,592)	(16,243)
Change in fair value of financial assets at FVPL				(5,318)
Other unallocated corporate expenses				(11,367)
Loss for the period				(32,928)
<b>Other segment information:</b>				
Depreciation of property, plant and equipment		(7)	(6,369)	(6,376)
Depreciation of right-of-use assets		(1,003)	(571)	(1,574)
Finance costs		(101)	(50)	(151)
Additions of property, plant and equipment		55	-	55
<b>Other segment information:</b>				
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)
<b>Other segment information:</b>				
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

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
<b>Assets</b>		
<b>Continuing operations</b>		
Shipping and logistics	151,660	158,800
Telecommunications related business	35,130	39,775
	<hr/>	<hr/>
Segment assets	186,790	198,575
Unallocated corporate assets	42,268	56,108
	<hr/>	<hr/>
<b>Consolidated total assets</b>	<b>229,058</b>	<b>254,683</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
<b>Continuing operations</b>		
Shipping and logistics	10,593	9,632
Telecommunications related business	10,213	8,091
	<hr/>	<hr/>
Segment liabilities	20,806	17,723
2019 Convertible Bonds	471	435
2020 Convertible Bonds	36,310	31,202
Other unallocated corporate liabilities	7,125	6,934
	<hr/>	<hr/>
<b>Consolidated total liabilities</b>	<b>64,712</b>	<b>56,294</b>
	<hr/> <hr/>	<hr/> <hr/>

### Geographical information

As at 30 June 2022, apart from the vessels and goodwill, approximately HK\$3,542,000 and HK\$3,475,000 of the Group's non-current assets are located in Hong Kong and the PRC respectively.

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

### Major customers

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

	For the six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
The PRC	11,129	735
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Shipping and logistics		
Customer A	<b>23,820</b>	23,939
	<u><u>23,820</u></u>	<u><u>23,939</u></u>
Telecommunications related business		
Customer B	<b>7,391</b>	–
	<u><u>7,391</u></u>	<u><u>–</u></u>

## 6. FINANCE COSTS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Interest on other borrowings	<b>120</b>	97
Interest on the 2019 Convertible Bonds	<b>43</b>	37
Interest on the 2020 Convertible Bonds	<b>3,395</b>	2,838
Interest on lease liabilities	<b>316</b>	416
	<u><u>3,874</u></u>	<u><u>3,388</u></u>

## 7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Depreciation of property, plant and equipment:		
Recognised in cost of services	6,183	6,615
Recognised in other administrative and operating expenses	193	488
	<u>6,376</u>	<u>7,103</u>
Depreciation of right-of-use assets, recognised in other administrative and operating expenses	<u>2,445</u>	<u>1,776</u>
Staff costs (including director's remuneration):		
Employee benefits expenses	11,035	11,348
Contributions to defined contribution retirement schemes	737	477
	<u>11,772</u>	<u>11,825</u>

## 8. INCOME TAX

Hong Kong Profits Tax, if any, is calculated at 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits for the six months ended 30 June 2022. The PRC enterprise income tax, if any, is provided at the rate of 25% (six months ended 30 June 2021: 25%) on the estimated assessable profits of subsidiaries operating in the PRC.

No provision for income tax has been made as the Group entities either had no estimated assessable profits or incurred tax losses for the six months ended 30 June 2022 and 2021.

## 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	(8)
	<hr/>
Loss before tax	(756)
Taxation	–
	<hr/>
Loss after tax from discontinued operations and loss attributable to discontinued operations	<u>(756)</u>

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.

## 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss attributable to owners of the Company		
– Continuing operations	(32,037)	(19,894)
– Discontinued operations	–	(756)
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares for basic and diluted loss per share	<u>1,694,975,244</u>	<u>1,694,975,244</u>

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Loss per share		
Basic and diluted		
– Continuing operations ( <i>HK cents</i> )	(1.89)	(1.17)
– Discontinued operations ( <i>HK cents</i> )	–	(0.04)
	<u>–</u>	<u>(0.04)</u>
	<b>(1.89)</b>	<b>(1.21)</b>
	<b><u>–</u></b>	<b><u>(1.21)</u></b>

Diluted loss per share for the six months ended 30 June 2022 and 30 June 2021 are same as the basic loss per share. The calculation of diluted loss per share for the six months ended 30 June 2022 and 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.

## 11. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2022 and 2021.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2022 and 2021.

## 12. GOODWILL

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Reconciliation of carrying amount</b>		
As at 1 January	1,026	–
Acquisition of a subsidiary	–	1,026
	<u>–</u>	<u>1,026</u>
<b>As at 30 June 2022 and 31 December 2021</b>	<b>1,026</b>	1,026
	<b><u>–</u></b>	<b><u>1,026</u></b>

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.

For the six months ended 30 June 2022 and 2021, no impairment loss was made on the goodwill.

### 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2022	At 31 December 2021
<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Trade receivables</b>		
– Service income receivables	6,155	3,078
	<hr/>	<hr/>
<b>Other receivables</b>		
Other debtors	5,790	5,715
Deposits	2,125	2,125
Prepayments	5,691	827
	<hr/>	<hr/>
	13,606	8,667
Less: Loss allowance on other receivables	(3,002)	(3,002)
	<hr/>	<hr/>
	10,604	5,665
	<hr/>	<hr/>
	16,759	8,743
	<hr/> <hr/>	<hr/> <hr/>

#### 13(a) Trade receivables

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

### 14. TRADE AND OTHER PAYABLES

	At 30 June 2022	At 31 December 2021
<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Trade payables</b>		
	10,870	8,782
	<hr/>	<hr/>
<b>Other payables</b>		
Accruals and other payables	4,886	3,615
Receipts in advance	1,068	1,059
Other borrowings from a regulated securities broker	4,774	2,244
	<hr/>	<hr/>
	10,728	6,918
	<hr/>	<hr/>
	21,598	15,700
	<hr/> <hr/>	<hr/> <hr/>

#### 14(a) Trade payables

As at 30 June 2022 and 31 December 2021, all trade payables aged within 180 days, based on the invoice date.

#### 14(b) Other borrowings from a regulated securities broker

As at 30 June 2022, the other borrowings from a regulated securities broker are secured by securities listed in Hong Kong of HK\$25,358,000 (31 December 2021: HK\$28,267,000) 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 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 places. 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 2021 (Audited)	435
Imputed interest expenses	43
Payment of interest expenses	(7)
	<hr/>
As at 30 June 2022 (Unaudited)	<u>471</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:

	<b>Gross amount</b> <i>HK\$'000</i>	<b>Deferred day-one loss</b> <i>HK\$'000</i>	<b>Net amount</b> <i>HK\$'000</i>
At 31 December 2021 (Audited)	36,483	(5,281)	31,202
Imputed interest expenses	3,395	–	3,395
Amortisation of deferred day one loss	–	1,713	1,713
	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2022 (Unaudited)	<u>39,878</u>	<u>(3,568)</u>	<u>36,310</u>

## 17. SHARE CAPITAL

	<b>At 30 June 2022</b>		At 31 December 2021	
	<i>Number of shares</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>Number of shares</i> (Audited)	<i>HK\$'000</i> (Audited)
Issued and fully paid at the beginning and end of the period/year	<u>1,694,975,244</u>	<u>1,906,379</u>	<u>1,694,975,244</u>	<u>1,906,379</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 2022:

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Salaries and other benefits	<b>2,490</b>	2,750
Contributions to defined contribution retirement scheme	<b>18</b>	18
	<u>2,508</u>	<u>2,768</u>

- (b) Consultancy fee of HK\$360,000 (six months ended 30 June 2021: 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.

- (c) Imputed interest expenses in relation to the 2020 Convertible Bonds of approximately HK\$3,395,000 (six months ended 30 June 2021: HK\$2,838,000) was charged by Oriental Solar, the substantial shareholder of the Company.

The related party transactions disclosed in note 18(b) constituted 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 Group was principally engaged in the (i) shipping and logistics business and (ii) telecommunications related business in 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 2021: about 64,000 DWT).

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

Despite the Baltic Dry Index ("BDI") continued to rise during the period under review, the Group did not benefit from it as the charter rates for the Group's fleet were fixed. Meanwhile, under the COVID-19 pandemic, countries have implemented strict quarantine and other relevant measures which led to a substantial increase in crew costs during the crew replacement, including salaries, accommodation and traveling, etc, and repair and maintenance of the vessels. As a result, a gross loss of approximately HK\$3,929,000 was recorded during the period under review.

For the period under review, the Group recorded a revenue of approximately HK\$23,820,000 (six months ended 30 June 2021: approximately HK\$23,939,000), representing a decrease of approximately 1% as compared to the corresponding period of 2021. The gross loss was approximately HK\$3,929,000 (six months ended 30 June 2021: gross profit of approximately HK\$1,051,000), representing a decrease of approximately 474% as compared to the same period of 2021. The decrease in gross profit was due to the increase in crew costs and the repair and maintenance of the vessels as aforementioned.

##### *Telecommunications Related Business*

The Group completed the acquisition of an SMS business in May 2021. For the period under review, the SMS business contributed a revenue of approximately HK\$11,129,000 (six months ended 30 June 2021: approximately HK\$735,000) to the Group.

## **Discontinued Operations**

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

## **PROSPECTS**

### **Shipping and Logistics**

The Group entered into new charter contracts with the charterer at a new charter rate which is significantly higher than the previous rates and the new charter contracts have become effective since August 2022. The management of the Company expects that the shipping and logistics business will generate positive contributions in the upcoming year.

The Company has been also in process of identifying potential target vessels, including obtaining a list of potential target vessels from ship brokers and assessing their specification, for the acquisition of an additional vessel in order to enhance its carrying capacity.

### **Telecommunications Related Business**

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 is 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.

In February 2022, the National Development and Reform Commission announced the acceleration of the progress of 5G construction. The Directors expect the policy will provide a positive contribution and opportunities to the telecommunication business of the Group. The Group will continue to provide customers with highly competitive communication products with keen market insight, leading technology and comprehensive services to meet the rapidly growing market demand and achieve common development with users.

The directors will continuously look for opportunities to expand its fleet size by acquiring vessels and other suitable investments, which will bring in synergy with and positive contributions to the existing businesses.

## FINANCIAL REVIEW

For the period under review, the unaudited revenue of the Group was approximately HK\$34,949,000 (six months ended 30 June 2021: approximately HK\$24,674,000), representing an increase of approximately 42% as compared to the corresponding period of 2021. The increase in revenue was mainly contributed by the SMS business which was acquired in May 2021.

The Group recorded a loss from continuing operations for the period under review of approximately HK\$32,928,000 (six months ended 30 June 2021: approximately HK\$20,357,000) representing an increase of approximately 62% as compared to the corresponding period of 2021. The increase in loss from continuing operations was mainly attributable to (i) the substantial increase in crew costs during the crew replacement, (ii) an increase in repair and maintenance of the vessels and (iii) the change in the fair value of financial assets at fair value through profit or loss. The loss for the period under review of the Group amounted to approximately HK\$32,928,000 (six months ended 30 June 2021: approximately HK\$21,113,000), representing an increase of approximately 56% 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 HK1.89 cents (30 June 2021: HK1.17 cents) whilst the basic and diluted loss per Share from discontinued operations was nil (30 June 2021: HK0.04 cents).

### Financial Resources, Liquidity and Gearing Ratio

As at 30 June 2022, the Group had:

1. Cash and bank balances of approximately HK\$31,590,000 (31 December 2021: approximately HK\$53,378,000);
2. Non-bank borrowings representing convertible bonds having an aggregate carrying amounts of approximately HK\$36,781,000 (31 December 2021: approximately HK\$31,637,000);
3. Total equity attributable to owners of the Company of approximately HK\$160,074,000 (31 December 2021: approximately HK\$193,018,000);
4. Net current assets of approximately HK\$47,271,000 (31 December 2021: approximately HK\$69,374,000);
5. Current ratio (being current assets over current liabilities) of approximately 279% (31 December 2021: approximately 430%); and
6. Gearing ratio (being total debt divided by total equity) of approximately 39% (31 December 2021: approximately 28%).

## **Share Capital**

As at 30 June 2022, 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 placees, who are independent third parties to the Company.

Upon the completion of the Subscription and the relevant transactions contemplated thereunder on 13 July 2020, 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 2020 CB for a term of 3 years, on the terms and subject to the condition set out in the 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.

In the 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**

As at 30 June 2022, the Group's held the following significant investment:

#### ***Financial assets at fair value through profit or loss***

As at 30 June 2022, financial assets at fair value through profit or loss included a portfolio of investment in listed shares with fair value of approximately HK\$25,358,000, which amounts to approximately 11% of the Group's total assets. The investment cost was approximately HK\$28,118,000. Its market value decreased by approximately 10% during the six months ended 30 June 2022. Given the turbulence in the capital market, the Group will review its performance closely and take the most appropriate strategy for the benefits of the shareholders of the Company.

Save for those disclosed 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 2022, the financial assets at fair value through profit or loss of HK\$25,358,000 (31 December 2021: HK\$28,267,000) was pledged as collateral for a margin facilities of HK\$4,774,000 (31 December 2021: HK\$2,244,000) granted by a regulated securities broker.

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: Nil).

### **Capital Commitments**

As at 30 June 2022, the Group had no capital commitment (31 December 2021: 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 2022, the Group had 55 (31 December 2021: 41) 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\$11,772,000 (30 June 2021: approximately HK\$11,825,000). 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 2022, 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 31 December 2021 <i>HK\$ million</i>	Utilization during the period ended 30 June 2022 and up to 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	16	16	1
<b>Total</b>	<b>222</b>	<b>205</b>	<b>16</b>	<b>1</b>

2. As at the date of this announcement, the use of the unutilized net proceeds amounting to approximately HK\$24,000,000 (the “Unutilized Proceeds”) raised from the 2020 Placing are intended to be used for further acquisition of vessel. Having considered the recent market changes and the financial position of the Group, the Board resolved to change the use of the Unutilized Proceeds for general working capital of the Group. As at the date of this announcement, the utilization of the Unutilized Proceeds and the proposed change of use of the Unutilized Proceeds are set out below:

Intended Uses	Original allocation <i>HK\$ million</i>	Revised allocation <i>HK\$ million</i>	Utilization as at 31 December 2021 <i>HK\$ million</i>	Utilization during the period ended 30 June 2022 and up to the date of this announcement <i>HK\$ million</i>	Remaining Balance <i>HK\$ million</i>
Further acquisition of vessel	24	–	–	–	–
General working capital					
– Shipping and logistics business	–	14	–	–	14
– General corporate use	–	10	–	–	10
<b>Total</b>	<b>24</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>24</b>

## **Reasons for and Benefits of the Change in Use of Proceeds**

As disclosed in the 2021 annual report, the vessel acquisition plan has been significantly influenced in the past years, the reasons are, including but not limited to the substantial increase in the price of vessels available for sales and the COVID-19 pandemic which has embarrassed the feasibility of vessels inspection.

In addition, the Group suffered a substantial increase in crew costs during the crew replacement under the COVID-19 pandemic that weaken the financial position and liquidity of the Group.

The Directors considered that the reallocation of the Unutilized Proceeds for general working capital is appropriate and effective to enhance the financial position and liquidity of the Group and meet the financial needs of the Group. Approximately HK\$14 million of the Unutilized Proceeds would be used for shipping and logistic business and the remaining balances would be used for general corporate use, including but not limited to staff costs, rental expenses, legal and professional fee and other administrative expenses. It is expected that the remaining balance of the above proceeds would be utilized by 2023.

Being mindful of the unforeseen circumstances and the market changes, the Directors considered that the reallocation of the Unutilized Proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole.

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 has fluctuated as indicated by BDI which has risen by over 50%, of which the highest point has risen by over 400% since the beginning of 2021.

The Company has been careful in considering the price of available dry bulk vessels in the market, as well as the location of the potential target vessels in the market. The COVID-19 pandemic has also contributed to the time the Company needs in identifying suitable acquisition targets due to the impacts caused to the shipping industry. The impacts include (i) feasibility of vessels inspection, (ii) the closure of ports/borders for crew changes and (iii) the travelling restrictions imposed on vessel crews. The Company has been in close watch of the market conditions, including but not limited to the price of vessels and the available ports for crew changes and the vessel acquisition will only materialize in the best interest of the Company should an acquisition opportunity arises.

## **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 2022, the Company has complied with the CG Code save as specified and explained below:

#### **Code Provision C.2.1**

The post of chief executive of the Company has remained vacant since March 2009. The duties of chief executive 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.

### **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 2022 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 2022 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 2022 will be despatched to the shareholders of the Company and made available on the same websites in due course.

## **GLOSSARY**

2018 Convertible Bonds or 2018 CB	The convertible bonds in the aggregate principal amount of HK\$18,000,000 issued by the Company on 8 November 2018
2018 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2018, the scheme mandate limit of which was refreshed on 27 May 2019 and 27 May 2022
2019 Convertible Bonds or 2019 CB	The convertible bonds in the aggregate principal amount of HK\$42,500,000 issued by the Company on 14 November 2019
2020 Convertible Bonds or 2020 CB	The convertible bonds in the aggregate outstanding principal amount of HK\$48,000,000 issued by the Company on 13 July 2020
2020 Placing	99,000,000 Shares issued under the general mandate by the Company on 17 September 2020
Audit Committee	The audit committee of the Company
Board	The Board of Directors of the Company
Company	Asia Energy Logistics Group Limited
Condensed Consolidated Interim Financial Statements	The unaudited condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2022
Director(s)	Director(s) of the Company
General Meeting or GM	The Company's general meeting

GIC	GIC Investment Limited, an indirect wholly owned subsidiary of GCL-Poly Energy Holdings Limited, a public company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 3800)
GIC Convertible Bonds or GIC CB	The convertible bonds in the aggregate outstanding principal amount of HK\$100,000,000 issued by the Company to GIC on 2 March 2018
Group	The Company together with its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Network Access Licence	Network Access Licence for Telecommunications Equipment
Oriental Solar	Oriental Solar Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Pang Yuet
PRC	The People's Republic of China
Share(s)	Ordinary share(s) of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Consolidation	The share consolidation on the basis that every five then issued Shares being consolidated into one consolidated Share, which was approved pursuant to an ordinary resolution passed at the General Meeting of the Company held on 15 August 2019 and became effective on 19 August 2019
SMS	Short Message Service
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscription	The subscription of the Subscription Shares and the Convertible Bonds by Oriental Solar pursuant to the terms and conditions of the Subscription Agreement

Subscription Agreement	The subscription agreement dated 8 March 2020 entered into between the Company and Oriental Solar in connection with the Subscription
Subscription Shares	A total of 1,100,000,000 new Shares issued and allotted to Oriental Solar on 13 July 2020 pursuant to the terms and conditions of the Subscription Agreement
US\$	Unites States dollars, the lawful currency of United States of America

By Order of the Board  
**Asia Energy Logistics Group Limited**  
**Pang Yuet**  
*Chairman and Executive Director*

Hong Kong, 19 August 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Pang Yuet, 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.*