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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: 0351)

**SECOND SUPPLEMENTAL AGREEMENT
IN RELATION TO
THE TERMS AND CONDITIONS OF THE
TRANCHE 2 NOTES
AND
EXERCISE OF OPTION TO ISSUE THE TRANCHE 2 NOTES**

The Board wishes to announce that on 1 March 2016 (after trading hours), the Company entered into the Second Supplemental Agreement with the Subscriber and ACP to further amend certain terms and conditions of the Subscription Agreement.

The Board also wishes to announce that following the conversion of the last of the Convertible Notes comprised in the last sub-tranche of Tranche 1 Notes, the Company had on 1 March 2016, which was within the Option Period, notified the Subscriber of its intention to exercise the Option to require the Subscriber to subscribe for the Tranche 2 Notes from the Company at the Issue Price.

A circular containing, among other things, further details on the terms of the Second Supplemental Agreement, the exercise of the Option, the issue of the Tranche 2 Notes, the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in respect of such Convertible Notes, together with a notice convening a general meeting of the Company, is expected to be despatched to the Shareholders on or before 1 April 2016.

Reference is made to the circular of Asia Energy Logistics Group Limited (the “**Company**”) dated 13 March 2015 (the “**Circular**”) in relation to the issue of the Convertible Notes. Capitalised terms used in this announcement shall have the same meanings as those defined in the Circular unless otherwise stated herein.

THE SECOND SUPPLEMENTAL AGREEMENT

The Board wishes to announce that on 1 March 2016 (after trading hours), the Company entered into the Second Supplemental Agreement with the Subscriber and ACP (“**Second Supplemental Agreement**”) to amend certain terms and conditions of the Subscription Agreement. Set out below are the major terms of the Second Supplemental Agreement:

Amendment to the sub-tranches of the Tranche 2 Notes

Under Subscription Agreement, the principal amount of the Tranche 2 Notes is HK\$40 million, comprising 8 equal sub-tranches of HK\$5.0 million each.

Pursuant to the Second Supplemental Agreement, the principal amount of the Tranche 2 Notes remain unchanged, and shall now comprise one first sub-tranche of HK\$5.0 million (“**First Sub-Tranche**”) and 14 equal subsequent sub-tranches of HK\$2.5 million each (collectively the “**Sub-Tranches**”; and each a “**Sub-Tranche**”).

Issue and subscription of the Tranche 2 Notes

Under the Subscription Agreement, upon exercise of the Option, the first sub-tranche of the Tranche 2 Notes shall be issued and subscribed for on the fifth Business Day after the last of the conditions precedent in respect of Tranche 2 Notes is fulfilled or waived by the Subscriber (or such later date as the parties may agree in writing).

Pursuant to the Second Supplemental Agreement, save for the First Sub-Tranche, in the event that the daily traded VWAP per Share for the three consecutive Business Days immediately preceding the relevant Closing Date in respect of each relevant Sub-Tranche (the “**Market Price**”) is less than 80% of the average of the daily traded VWAP per Share for the 45 consecutive Business Days immediately preceding the relevant Closing Date in respect of the First Sub-Tranche (the “**Reference Price**”), the Company shall have the discretion not to issue the relevant Sub-Tranches.

If the Company exercises its discretion not to issue such relevant Sub-Tranches on the relevant Closing Date, the Subscriber shall be entitled at its sole discretion in such an event either to elect to fix a new Closing Date with respect to such relevant Sub-Tranches, or to terminate the Subscription Agreement. The Company shall be obliged to issue such relevant Sub-Tranches to the Subscriber on the new Closing Date unless the applicable Market Price (with reference to the new Closing Date) is less than 80% of the Reference Price.

Conversion price of the Tranche 2 Notes

Under the Subscription Agreement, the Conversion Price shall be, at the option of the Subscriber, either (i) the Fixed Conversion Price or (ii) the Floating Conversion Price as set out below:

Fixed Conversion Price

145% of the average of the daily traded VWAP per Share for the 45 Business Days on which the Shares were traded on the Stock Exchange, immediately preceding the Closing Date of the First sub-Tranche as set out in the Subscription Agreement, subject to adjustment.

Floating Conversion Price

80% of the average of the closing prices per Share on any three consecutive Business Days as selected by the relevant Noteholder during the 45 Business Days immediately preceding the relevant Conversion Date on which the Shares were traded on the Stock Exchange.

Pursuant to the Second Supplemental Agreement, the conversion price at which each Share shall be issued upon conversion of the Tranche 2 Notes (the “**New Conversion Price**”) shall be the greater of the following:

- (i) the Floating Conversion Price; and
- (ii) 50% of the closing price per Share for the Business Day immediately preceding the Conversion Date on which Shares were traded on the Stock Exchange.

EXERCISE OF OPTION TO ISSUE THE TRANCHE 2 NOTES

As set out in the Circular, the Company may notify the Subscriber of its intention to exercise the Option at any time during the Option Period.

The Board also wishes to announce that following the conversion of the last of the Convertible Notes comprised in the last sub-tranche of Tranche 1 Notes, the Company had on 1 March 2016, which was within the Option Period, notified the Subscriber of its intention to exercise the Option to require the Subscriber to subscribe for the Tranche 2 Notes from the Company at the Issue Price.

The exercise of the Option and the subsequent issue and subscription of the Tranche 2 Notes therefrom is subject to the fulfillment of certain conditions precedent, including the approval of Shareholders (or, if the Subscriber becomes a connected person of the Company, independent Shareholders other than the Subscriber) having been obtained at a general meeting of the Company for the issue of the Tranche 2 Notes as well as the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in respect of such Convertible Notes.

Save for the above amendments, the terms and conditions of the Subscription Agreement (as amended by the Supplemental Agreement) remain unchanged.

REASONS FOR ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT AND THE EXERCISE OF THE OPTIONS

Given the reasons and benefits of the sub-tranche structure of the Convertible Notes (as previously disclosed in the Circular), the Company has entered into the Second Supplemental Agreement to amend the structure and the Conversion Price of the Tranche 2 Notes. Pursuant to the terms of the Second Supplemental Agreement, the Shareholders are also offered better protection against dilution as the Company shall have full discretion to not issue the Sub-Tranches in the event the Market Price is less than 80% of the Reference Price.

In addition, subsequent to the full issue and conversion of the Tranche 1 Notes, and considering the funding needs of the Company and delays in completion of the Railway Disposal, the Board has resolved to exercise the Option in order to further satisfy the general working capital requirements of the Company.

The Directors consider that the relevant reasons and benefits of the issue of the Convertible Notes remain unchanged as previously disclosed in the Circular. Accordingly, the Directors consider that the terms of the Second Supplemental Agreement (including the New Conversion Price) and the exercise of the Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

As disclosed above, the exercise of the Option and the subsequent issue and subscription of the Tranche 2 Notes therefrom is subject to, among others, the approval of Shareholders (or, if the Subscriber becomes a connected person of the Company, independent Shareholders other than the Subscriber) having been obtained at a general meeting of the Company

As the amendments to the Subscription Agreement and the entering into of the Second Supplemental Agreement constitute a material variation of its terms, the variation is also subject to the approval of Shareholders (or, if the Subscriber becomes a connected person of the Company, independent Shareholders other than the Subscriber) having been obtained at a general meeting of the Company.

To the best of the Directors' information, knowledge and belief having made reasonable enquiries, as at the date of this announcement, the Subscriber is not a connected person of the Company (as defined under the Listing Rules).

A circular containing, among other things, further details on the terms of the Second Supplemental Agreement, the exercise of the Option, the issue of the Tranche 2 Notes, the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in respect of such Convertible Notes, and together with a notice convening a general meeting of the Company, is expected to be despatched to the Shareholders on or before 1 April 2016.

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

Hong Kong, 1 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, Mr. Fung Ka Keung, David, Ms. Yu Sau Lai and Mr. Tse On Kin; the non-executive directors of the Company are Mr. Yu Baodong (Chairman) and Ms. Sun Wei; and the independent nonexecutive directors of the Company are Mr. Chan Chi Yuen, Mr. Zhang Xi and Prof. Sit Fung Shuen, Victor