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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)

- (1) LAPSE OF THE MEMORANDUM OF AGREEMENT;**
- (2) EXTENSION OF THE PLACING PERIOD AND
POSTPONEMENT OF THE PLACING LONG STOP DATE;**
- (3) CHANGE IN USE OF PROCEEDS FROM THE PLACING; AND**
- (4) TEMPORARY COUNTER FOR THE CONSOLIDATED SHARES**

LAPSE OF THE MEMORANDUM OF AGREEMENT

As set out in the Circular, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Memorandum of Agreement for the Acquisition of the Vessel. Pursuant to the Memorandum of Agreement, if any of the conditions precedent to the settlement of the Down Payment has not been fulfilled on or before the Acquisition Long Stop Date, the Memorandum of Agreement shall cease and determine and no party to the Memorandum of Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the Memorandum of Agreement.

As the conditions precedent to the settlement of the Down Payment regarding the availability of the financing for the Acquisition and the Placing Completion have not been fulfilled on or before the Acquisition Long Stop Date, the Memorandum of Agreement lapsed in accordance with the terms thereof and the Acquisition contemplated thereunder will not proceed.

EXTENSION OF THE PLACING PERIOD AND POSTPONEMENT OF THE PLACING LONG STOP DATE

Pursuant to the Placing Agreement, (a) the Placing Period is defined as the period commencing immediately after the Placing Agreement is entered into by the parties and expiring at 11:59 p.m. on 31 March 2017 (or such later time and date as the parties may agree in writing); and (b) if any of the conditions precedent to the Placing Agreement has not been satisfied on or before the Placing Long Stop Date, all obligations and liabilities of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties to the Placing Agreement shall have any claim against the other in respect of the Placing, save for rights and remedies in respect of liabilities for any antecedent breach thereof.

The Company announces that after arm's length negotiations, the Company and the Placing Agent entered into the Side Letter on 31 March 2017 (after trading hours) pursuant to which, the Company and the Placing Agent have agreed (a) to extend the Placing Period to the date falling on 1 calendar month from the date the resolution to grant the New Specific Mandate for the issue and allotment of the Placing Shares is approved by Shareholders at the New General Meeting; and (b) the Placing Long Stop Date shall be postponed to the date falling on 1 calendar month from the date the resolution to grant the New Specific Mandate for the issue and allotment of the Placing Shares is approved by Shareholders at the New General Meeting, as additional time is required for the Placing Agent to finalise the Places procurement process and for the fulfilment of the conditions precedent as set out in the Placing Agreement. The Company considers that the extension of the Placing Period and the postponement of the Placing Long Stop Date are in the interests of the Company and the Shareholders as a whole. Save and except for the aforesaid extension of the Placing Period and the postponement of the Placing Long Stop Date, all other terms and conditions of the Placing Agreement, including the Placing Price remains unchanged.

CHANGE IN USE OF PROCEEDS FROM THE PLACING

Having considered the reasons set out in the section headed “Reasons for and benefits of the extension of Placing Period, the postponement of the Placing Long Stop Date and the change in use of proceeds from the Placing” below, upon the lapse of the Memorandum of Agreement, the Company considered that it would be in the best interests of the Company to allocate the net proceeds as to approximately HK\$341.47 million towards acquisition of other potential dry bulk vessels with carrying capacity ranged from 28,000 to 65,000 DWT (deadweight tonnage) and as to approximately HK\$42.5 million for the general working capital of the Group (which mainly consists of (i) administrative expenses for twelve-month period to be incurred by the Company of approximately HK\$35.0 million; and (ii) minimal operational costs for twelve-month period for two years to be incurred by the railway business of approximately HK\$7.5 million).

TEMPORARY COUNTER FOR THE CONSOLIDATED SHARES

The Company would like to inform Shareholders and investors that the temporary counter (Stock Code: 2948) for trading in the Shares in board lots of 1,000 Consolidated Shares has commenced from 9:00 a.m. on Monday, 27 March 2017 and the original counter (Stock Code: 351) for trading in Consolidated Shares in board lots of 1,000 Consolidated Shares will be reopened at 9:00 a.m. on Friday, 5 May 2017. Please refer to the Circular for the details of the trading arrangements in respect of the Consolidated Shares.

GENERAL

The Placing Shares will be allotted and issued pursuant to the New Specific Mandate to be sought from the Shareholders at the New General Meeting. The New General Meeting will be convened for the Shareholders to consider and, if thought fit, approve the Side Letter and the transactions contemplated thereunder, including the grant of the New Specific Mandate. A circular containing, among other things, further details of the Placing, together with a notice convening the New General Meeting, is expected to be despatched to the Shareholders on or before 21 April 2017.

Reference is made to (i) the circular of the Company dated 8 March 2017 (the “**Circular**”) and (ii) the announcement of the Company dated 24 March 2017 in relation to the poll results of the general meeting of the Company held on 24 March 2017. Capitalized terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LAPSE OF THE MEMORANDUM OF AGREEMENT

As set out in the Circular, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Memorandum of Agreement for the Acquisition of the Vessel. Pursuant to the Memorandum of Agreement, if any of the conditions precedent to the settlement of the Down Payment has not been fulfilled on or before 31 March 2017 (the “**Acquisition Long Stop Date**”), the Memorandum of Agreement shall cease and determine and no party to the Memorandum of Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the Memorandum of Agreement.

As the conditions precedent to the settlement of the Down Payment regarding the availability of the financing for the Acquisition and the Placing Completion have not been fulfilled on or before the Acquisition Long Stop Date, the Memorandum of Agreement lapsed in accordance with the terms thereof and the Acquisition contemplated thereunder will not proceed.

The Directors are of the view that the lapse of the Memorandum of Agreement has no material adverse effect to the Group.

EXTENSION OF THE PLACING PERIOD AND POSTPONEMENT OF THE PLACING LONG STOP DATE

Pursuant to the Placing Agreement, (a) the Placing Period is defined as the period commencing immediately after the Placing Agreement is entered into by the parties and expiring at 11:59 p.m. on 31 March 2017 (or such later time and date as the parties may agree in writing); and (b) if any of the conditions precedent to the Placing Agreement has not been satisfied on or before 31 March 2017 (the “**Placing Long Stop Date**”), all obligations and liabilities of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties to the Placing Agreement shall have any claim against the other in respect of the Placing, save for rights and remedies in respect of liabilities for any antecedent breach thereof.

The Company announces that after arm's length negotiations, the Company and the Placing Agent entered into a side letter (the "**Side Letter**") to the Placing Agreement on 31 March 2017 (after trading hours). Pursuant to which, the Company and the Placing Agent have agreed (a) to extend the Placing Period to the date falling on 1 calendar month from the date the resolution to grant a specific mandate (the "**New Specific Mandate**") for the issue and allotment of the Placing Shares is approved by Shareholders at a general meeting of the Company to be held (the "**New General Meeting**"); and (b) the long stop date shall be postponed to the date falling on 1 calendar month from the date the resolution to grant the New Specific Mandate for the issue and allotment of the Placing Shares is approved by Shareholders at the New General Meeting, as additional time is required for the Placing Agent to finalise the Placées procurement process and for the fulfillment of the conditions precedent as set out in the Placing Agreement. The Company considers that the extension of the Placing Period and the postponement of the Placing Long Stop Date are in the interests of the Company and the Shareholders as a whole. Save and except for the aforesaid extension of the Placing Period and the postponement of the Placing Long Stop Date, all other terms and conditions of the Placing Agreement, including the Placing Price remains unchanged.

The Placing Price is HK\$0.10 per Placing Share, representing:

- i. a discount of approximately 61.5% to the closing price of HK\$0.26 per share of the Company (the "**Share**") as quoted on the Stock Exchange on the date of the Side Letter;
- ii. a discount of approximately 61.2% to the average closing price of approximately HK\$0.258 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Side Letter; and
- iii. a discount of approximately 62.7% to the average closing price of approximately HK\$0.268 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Side Letter.

CHANGE IN USE OF PROCEEDS FROM THE PLACING

As disclosed in the Circular, the Company intended to allocate the net proceeds of HK\$384 million from the Placing (i) as to approximately HK\$77.8 million to the Down Payment of the Acquisition Consideration of the Vessel; (ii) as to HK\$46.5 million for defraying the costs and expenses to be incurred in connection with the taking physical delivery of the Vessel by the Purchaser after Acquisition Completion; (iii) as to HK\$213.17 million for partial settlement of the remaining amount of the Acquisition Consideration; and the (iv) remaining balance of approximately HK\$46.5 million for the general working capital of the Group (which mainly consists of (i) administrative expenses for twelve-month period to be incurred by the Company of approximately HK\$35.0 million; (ii) minimal operational costs for twelve-month period for two years to be incurred by the railway business of approximately HK\$7.5 million; and (iii) other expenses in relation to mortgage arrangement of approximately HK\$4.0 million).

Having considered the reasons set out in the following section headed “Reasons for and benefits of the extension of Placing Period, the postponement of the Placing Long Stop Date and the change in use of proceeds from the Placing” below, upon the lapse of the Memorandum of Agreement, the Company considered that it would be in the best interests of the Company to allocate the net proceeds as to approximately HK\$341.47 million towards acquisition of other potential dry bulk vessels with carrying capacity ranged from 28,000 to 65,000 DWT (deadweight tonnage) and as to approximately HK\$42.5 million for the general working capital of the Group (which mainly consists of (i) administrative expenses for twelve-month period to be incurred by the Company of approximately HK\$35.0 million; and (ii) minimal operational costs for twelve-month period for two years to be incurred by the railway business of approximately HK\$7.5 million) (together, the “**Change in Use of Proceeds**”).

REASONS FOR AND BENEFITS OF THE EXTENSION OF PLACING PERIOD, THE POSTPONEMENT OF THE PLACING LONG STOP DATE AND THE CHANGE IN USE OF PROCEEDS FROM THE PLACING

As set out in the Circular, the Company obtained preliminary term sheets (the “**Preliminary Term Sheets**”) from two financial institutions (the “**Financial Institutions**”). However, after several months of negotiations since November 2016 between the Company and the Financial Institutions in relation to finalizing the loan agreements, as at the date this announcement, the two Financial Institutions have declined to offer financing to the Company due to their commercial reasons. Apart from the Financial Institutions, the Company had also approached other financial institutions in the past five months to explore the financing alternatives for the Acquisition. However, the Company had not received any offer of mortgage financing as at the date of this announcement. In view of the negative feedback from the financial institutions on the possibility of providing mortgage financing for the Acquisition, the Company considered that it has used its best endeavour in obtaining financing for the Acquisition. As a result, the condition precedent to the settlement of the Down Payment in respect of obtaining adequate financing for the Acquisition by the Group has not been fulfilled on or before the Acquisition Long Stop Date.

Having taken into account (i) the unavailability of adequate financing for acquiring the Vessel or other new and second-hand SSHLVs similar to the Vessel; (ii) the minimal dependence on external financing as the cost of those said dry bulk vessels is relatively lower than that of the Vessel; (iii) the Group possesses relevant skill-sets and experience for the dry bulk vessel chartering business; and (iv) the optimistic future prospect of the dry bulk vessel chartering industry in light that the average Baltic Dry Index’s price has been rising significantly since the second half of 2016, the Company considers that the Change in Use of Proceeds is in line with the growth strategy of the Group and a step towards developing and expanding the scope of its vessel chartering services business. In addition, based on the progress of the Placing as at the date of this announcement as advised by the Placing Agent, one placee and one sub-agent have been identified. As additional time is required for obtaining approval by Shareholders on the New Specific Mandate and taking into consideration of the status of the Placing, the Company intended to continue to proceed with the Placing by extending the Placing Period and postponing the Placing Long Stop Date.

After considered the reasons above, the Company considers that the extension of the Placing Period, the postponement of the Placing Long Stop Date and the Change in Use of Proceeds are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

TEMPORARY COUNTER FOR THE CONSOLIDATED SHARES

The Company would like to inform Shareholders and investors that the temporary counter (Stock Code: 2948) for trading in the Shares in board lots of 1,000 Consolidated Shares has commenced from 9:00 a.m. on Monday, 27 March 2017 and the original counter (Stock Code: 351) for trading in Consolidated Shares in board lots of 1,000 Consolidated Shares will be reopened at 9:00 a.m. on Friday, 5 May 2017. Please refer to the Circular for the details of the trading arrangements in respect of the Consolidated Shares.

GENERAL

The Placing Shares will be allotted and issued pursuant to the New Specific Mandate to be sought from the Shareholders at the New General Meeting. The New General Meeting will be convened for the Shareholders to consider and, if thought fit, approve the Side Letter and the transactions contemplated thereunder, including the grant of the New Specific Mandate. A circular containing, among other things, further details of the Placing, together with a notice convening the New General Meeting, is expected to be despatched to the Shareholders on or before 21 April 2017.

Completion of the Placing is subject to the fulfillment of certain conditions precedent and therefore may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

31 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, Mr. Fung Ka Keung, David, Mr. Fu Yongyuan and Mr. Lin Wenqing; the non-executive director of the Company is Mr. Yu Baodong (Chairman); and the independent non-executive directors of the Company are Mr. Chan Chi Yuen, Professor Sit Fung Shuen, Victor and Mr. Siu Miu Man.