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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)

POSSIBLE ISSUE OF CONVERTIBLE NOTES

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that after trading hours on 12 December 2014, the Company entered into a non-legally binding Indicative Term Sheet with the Subscriber pursuant to which the Subscriber intends to subscribe and the Company intends to issue the Convertible Notes in the principal amount of up to HK\$100 million.

The Board wishes to emphasize that no definitive agreement in relation to the issue of the Convertible Notes has been entered into as at the date of this announcement. As the issue of the Convertible Notes may or may not proceed, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares and securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

NON-LEGALLY BINDING INDICATIVE TERM SHEET

The Board is pleased to announce that after trading hours on 12 December 2014, the Company entered into a non-legally binding Indicative Term Sheet with the Subscriber pursuant to which the Subscriber intends to subscribe and the Company intends to issue Convertible Notes in the aggregate principal amount of up to HK\$100 million. The principal terms of the non-legally binding Indicative Term Sheet are summarized as follows:

Date:

12 December 2014

Parties:

- (1) the Company, as the issuer of the Convertible Notes; and
- (2) Advance Opportunities Fund as represented by Advance Capital Partners Pte Ltd, as the Subscriber

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are independent of and not connected with the Company or any of its directors, chief executive, substantial shareholders or subsidiaries or any of their respective associates (as defined in the Listing Rules).

Principal terms of the Convertible Notes

Securities to be issued: 2.0% Equity Linked Redeemable Structured Convertible Notes due 2017 convertible into Shares

Principal amount: Up to HK\$100 million.

The Convertible Notes will be issued in five tranches, the principal amount of the first tranche being HK\$60 million while the principal amount of each of the second, third, fourth and fifth tranches being HK\$10 million.

Tenure: 36 months from the signing date of the Formal Agreement

Conversion: The Subscriber has the discretion anytime (except when the Convertible Notes are being redeemed) from and including the respective predetermined closing dates of each of the five tranches up to the close of business on the day falling one week prior to the final maturity date of the Convertible Notes, to decide on the dates to convert the Convertible Notes.

Conversion Price: The conversion price shall equal, at the discretion of the Subscriber, either:

- (i) 145% of the average of the daily traded volume weighted average prices per Share for the 45 Business Days immediately prior to the respective predetermined closing dates of each of the five tranches of the Convertible Notes; or
- (ii) 80% of the average of the closing prices per Share on any three consecutive Business Days during the 45 Business Days immediately preceding the relevant conversion date of the Convertible Notes

Provided always that the conversion price is above HK\$0.01 per Share.

Redemption: The Company may redeem the Convertible Notes presented for conversion in cash at the redemption amount if the conversion price is less than or equal to 65% of the average of the daily traded volume weighted average prices per Share for the 45 Business Days immediately prior to, in respect of the respective predetermined closing dates of each of the five tranches of the Convertible Notes.

The redemption amount is calculated according to the below formula:

$$N \times \{P + [8\% \times P \times (D/365)] + I\}$$

Where,

“D” represents the amount of days elapsed since each of the predetermined closing date;

“N” represents the amount of Convertible Notes presented for conversion;

“P” represents the face value of the Convertible Notes presented for conversion; and

“I” represents the remaining unpaid interest accrued on the Convertible Notes presented for conversion

Arrangement fee: 7% flat of the aggregate principal amounts subscribed of each of the sub-tranche of the five tranches of the Convertible Notes to be paid upon drawdown of each respective sub-tranche.

Validity: The validity of the terms and conditions of the Indicative Term Sheet shall be for one month from the date of signing. Upon expiry, the Subscriber shall have the right to change any of the terms and conditions set out in the Indicative Term Sheet as it deems fit.

Cancellation fee: The Company shall be liable to a cancellation fee of USD50,000 should the Company decide not to proceed with the Formal Agreement after signing the Indicative Term Sheet.

Legal and other expenses: All reasonable expenses (including fees and disbursements of legal counsel to the Company and the Subscriber) are for the account of the Company regardless of whether the proposed transaction is consummated.

Legal effect

The Indicative Term Sheet is non-legally binding in nature and there is no binding commitment on either the Company or the Subscriber on the subject matter. If the issue of the Convertible Notes will proceed, the parties will enter into the Formal Agreement in which relevant terms and conditions will be incorporated. Further announcement(s) will be made by the Company in accordance with the Listing Rules as and when appropriate.

GENERAL

The Board wishes to emphasize that no Formal Agreement in relation to the issue of the Convertible Notes has been entered into as at the date of this announcement. The issue of the Convertible Notes is subject to further negotiations and execution of the Formal Agreement between the parties. The Formal Agreement and the issue of the Convertible Notes may or may not be subject to Shareholders' approval. As the issue of the Convertible Notes may or may not proceed, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares and securities of the Company.

REASONS FOR AND BENEFITS OF THE POSSIBLE ISSUE OF THE CONVERTIBLE BOND

The Group is principally engaged in the (i) railway construction and operations and (ii) shipping and logistics business.

The Company intends to apply the aggregate net proceeds from the issue of the Convertible Notes (i) to repay certain existing loans payable by the Company and (ii) to increase the general working capital of the Group for its existing operations and/or future development as and when business opportunities arise.

The Directors consider the issue of the Convertible Notes offers good opportunities to raise further capital and to strengthen the financial position of the Group. The Directors consider that the terms of the issue of the Convertible Notes are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Company has not undertaken any equity fund raising exercise in the 12 months immediately preceding the date of this announcement. To support its business development, the Group has been actively seeking various methods to support its financing needs.

The Directors considered the introduction of an experienced fund house through the possible issue of the Convertible Notes would provide (i) a median term financial support to the Group's business development; (ii) a strong financial expert and literacy to the growth of the Group; and (iii) a solid institutional shareholder's base to the Company.

Given the above reasons, the Directors, including the independent non-executive Directors, are of the view that the terms of the Indicative Term Sheet and the possible issue of the Convertible Notes are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday, public holiday and a day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business in Hong Kong and the stock exchanges operated by the Stock Exchange are open for trading

“Company”	Asia Energy Logistics Group Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Convertible Notes”	2.0% Equity Linked Redeemable Structured Convertible Notes Due 2017 convertible into Shares
“Director(s)”	director(s) of the Company
“Formal Agreement”	the legally binding formal agreement to be entered into by the Company (or its wholly-owned subsidiary) and the Subscriber in respect of the issue by the Company and the subscription by the Subscriber the Convertible Notes pursuant to the Indicative Term Sheet if the proposed issue of the Convertible Bonds shall proceed
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indicative Term Sheet”	indicative term sheet dated 12 December 2014 made between the Company and the Subscriber in relation to the proposed issue of the Convertible Notes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Advance Opportunities Fund as represented by Advance Capital Partners Pte Ltd
“%”	per cent.

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

Hong Kong, 12 December 2014

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