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亞洲能源物流
ASIAENERGY
Logistics

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)

MAJOR TRANSACTION

ACQUISITION OF VESSELS

The Board is pleased to announce that after the trading hours on 23 January 2018: (i) Purchaser A, an indirect wholly-owned subsidiary of the Company, entered into MOA 1 with Vendor A to acquire Vessel A, which is a Handysize bulk carrier vessel with carrying capacity of about 32,000 DWT at a consideration of US\$10.3 million (equivalent to about HK\$80.34 million); and (ii) Purchaser B, an indirect wholly-owned subsidiary of the Company, entered into MOA 2 with Vendor B to acquire Vessel B, which is a Handysize bulk carrier vessel with carrying capacity of about 32,000 DWT at a consideration of US\$10.3 million (equivalent to about HK\$80.34 million).

As the Group entered into both MOAs with the Vendors (both of which are members of the Vendor Group) in relation to the Acquisition on 23 January 2018, the acquisition of Vessel A will, pursuant to Rule 14.22 of the Listing Rules, be aggregated with the acquisition of Vessel B and treated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. As the highest relevant percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition (on an aggregated basis) is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

The Acquisition General Meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the MOAs and the transactions contemplated thereunder. The aforesaid approvals shall be obtained by way of a poll. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the MOAs and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the resolutions to approve the MOAs and the transactions contemplated thereunder at the Acquisition General Meeting.

A circular containing, among other things, further information on the MOAs and the transactions contemplated thereunder and the financial information of the Group will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules. It is currently expected that the circular will be despatched by the Company to the Shareholders on or about 9 February 2018.

ACQUISITION OF THE VESSELS

The Board is pleased to announce that after the trading hours on 23 January 2018: (i) Purchaser A, an indirect wholly-owned subsidiary of the Company, entered into MOA 1 with Vendor A to acquire Vessel A, which is a Handysize bulk carrier vessel with carrying capacity of about 32,000 DWT at a consideration of US\$10.3 million (equivalent to about HK\$80.34 million); and (ii) Purchaser B, an indirect wholly-owned subsidiary of the Company, entered into MOA 2 with Vendor B to acquire Vessel B, which is a Handysize bulk carrier vessel with carrying capacity of about 32,000 DWT at a consideration of US\$10.3 million (equivalent to about HK\$80.34 million). Save as mentioned below, the principal terms of the MOAs are generally identical and are set out below:

MOA 1

Date: 23 January 2018

Parties: (1) Vendor A : CFCL Handy Clip III LLC
(2) Purchaser A : Laurel Gold Shipping Limited, an indirect wholly-owned subsidiary of the Company

MOA 2

Date: 23 January 2018

Parties: (1) Vendor B : CFCL Handy Clip IV LLC
(2) Purchaser B : Lotus Gold Shipping Limited, an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and its ultimate beneficial owner(s) are Independent Third Parties and, none of the Directors or controlling Shareholders has any interest, direct or indirect, in the Acquisition. No Director abstained from voting at the Board committee meeting convened and held to approve, among other things, the Acquisition.

Asset to be acquired

Pursuant to MOA 1, Purchaser A, an indirect wholly-owned subsidiary of the Company, has agreed to acquire Vessel A from Vendor A. Pursuant to MOA 2, Purchaser B, an indirect wholly-owned subsidiary of the Company, has agreed to acquire Vessel B from Vendor B. Set out below are the details of the Vessels:

	Vessel A	Vessel B
Name:	Clipper Selo	Clipper Panorama
Flag:	Marshall Islands	Marshall Islands
IMO Number:	9543251	9598995
Year of Build:	2011	2011
Gross Tonnage:	20,924	20,969
Deadweight:	about 32,389 mt	about 32,353 mt

Consideration

Pursuant to MOA 1, the consideration payable for Vessel A is US\$10.3 million (equivalent to about HK\$80.34 million) and the consideration will be paid in the following manner:

- (a) Purchaser A shall lodge a deposit in the sum of US\$1.03 million (equivalent to about HK\$8.034 million) representing 10% of the consideration (“**Deposit A**”) in an escrow account for the parties with the Deposit Holder’s bank by 14 February 2018, after the date that:
 - i) MOA 1 has been signed by the parties and exchanged;
 - ii) the escrow agreement has been signed by the Deposit Holder, Purchaser A, and Vendor A and exchanged; and
 - iii) the Deposit Holder has confirmed in writing to the parties that it is ready to accept Deposit A.
- (b) Deposit A shall be released from the Deposit Holder to Vendor A’s account and the remaining balance of the consideration and all other sums payable on delivery by Purchaser A to Vendor A under MOA 1 shall be paid in full free of bank charges by Purchaser A to Vendor A by not later than three Banking Days after the date that notice of readiness has been given by Vendor A to Purchaser A.

Pursuant to MOA 2, the consideration payable for Vessel B is US\$10.3 million (equivalent to about HK\$80.34 million) and the consideration will be paid in the following manner:

- (a) Purchaser B shall lodge a deposit in the sum of US\$1.03 million (equivalent to about HK\$8.034 million) representing 10% of the consideration (“**Deposit B**”) in an escrow account for the parties with the Deposit Holder’s bank by 14 February 2018, after the date that:
 - i) MOA 2 has been signed by the parties and exchanged;
 - ii) the escrow agreement has been signed by the Deposit Holder, Purchaser B, and Vendor B and exchanged; and
 - iii) the Deposit Holder has confirmed in writing to the parties that it is ready to accept Deposit B.
- (b) Deposit B shall be released from the Deposit Holder to Vendor B’s account and the remaining balance of the aggregate consideration and all other sums payable on delivery by Purchaser B to Vendor B under MOA 2 shall be paid in full free of bank charges by Purchaser B to Vendor B by not later than three Banking Days after the date that notice of readiness has been given by Vendor B to Purchaser B.

If the Group cannot obtain approval from its Shareholders at the Acquisition General Meeting for the MOAs and the transactions contemplated thereunder or the Acquisition General Meeting cannot be held on or before 31 March 2018, each of the Vendors shall be entitled to US\$0.5 million (equivalent to about HK\$3.9 million) from Deposit A and Deposit B, respectively, while the balance of Deposit A and Deposit B shall be returned to Purchaser A and Purchaser B, respectively, with all accrued interest (if any).

The consideration for the Vessels has been determined by the parties after arm’s length negotiations between the parties, taking into account (i) the current market values of similar type of vessels; (ii) the physical condition of Vessel A and Vessel B with reference to the technical inspections carried out by a renowned ship management company; and (iii) a valuation of Vessel A and Vessel B appraised by the Independent Valuer at US\$10.25 million (equivalent to about HK\$79.95 million) and US\$10.25 million (equivalent to about HK\$79.95 million), respectively. The Directors consider that the terms of the MOAs (including the consideration) are fair and reasonable and the MOAs are in the interest of the Company and the Shareholders as a whole.

It is currently expected that the consideration of Vessel A and Vessel B will be mainly funded by the proceeds from the Placing and the Subscription according to the planned use of proceeds disclosed in the Previous Circular and the balance of the consideration will be funded by mortgage loan financing.

Conditions

Completion is conditional upon fulfillment of the following conditions:

- (i) the Company having convened the Fundraising General Meeting at which resolution(s) shall have been passed by its Shareholders to approve the Placing and the Subscription; and
- (ii) the Company having convened the Acquisition General Meeting at which resolution(s) shall have been passed by its Shareholders to approve the MOAs and the transactions contemplated thereunder.

Delivery Time

Pursuant to the MOAs, the delivery of the Vessels will take place between 15 March 2018 to 31 May 2018.

INFORMATION ON THE VENDORS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors is a privately owned company established under the laws of the Republic of the Marshall Islands with limited liability and is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both the Vendors are members of the same group (the "**Vendor Group**") which is a global investment manager headquartered in the United States and active across a range of credit and private equity investment strategies.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the (i) railway construction and operations; and (ii) shipping and logistic businesses.

As set out in the 2017 interim report of the Company, the Group recorded revenue generated from its shipping and logistics segment during the six months ended 30 June 2017, of approximately HK\$7.8 million, representing an increase of approximately 105.3% as compared to the corresponding period of 2016. The Group recorded segment profit for its shipping and logistics business for the six months ended 30 June 2017 of approximately HK\$3.3 million while there was segment loss of approximately HK\$13.2 million in the corresponding period of 2016. The turnaround of the Group's shipping and logistics segment is mainly attributable to the improvement of the shipping market following the rebound of the general commodities price.

Moreover, the Baltic Dry Index (BDI), an important economic indicator reflecting the supply and demand trends of global shipping market, also recovered significantly since 2016. The BDI has shown an increasing trend, which rose from 677 points on 1 July 2016 to 961 points on 31 December 2016 and further to 1,129 points on 22 January 2018, representing an increase by approximately 66.8% since 1 July 2016.

Therefore, the Group intends to seize the opportunity to expand the dry bulk vessel business after taking into account the improving performance of its shipping and logistics segment and the potential recovery of the international shipping market.

The Directors believe that the Acquisition will enable the Group to achieve economies of scale by fully utilising and exploiting the existing manpower of the Group and bring synergy to the Group's existing shipping and logistics businesses. By building up the Group's own fleet of dry bulk vessels, the average operating costs per vessel is expected to decrease. Moreover, with the flexibility of a fleet of dry bulk vessels (including the existing M.V. Asia Energy of the Group), the Group can manage risk exposure of its shipping business operation to the shipping market fluctuation more effectively by way of operating certain dry bulk vessels under long-term chartering contracts with the remaining dry bulk vessel(s) being operated under relative short-term chartering contracts.

Upon signing of the MOAs, the Purchasers entered into two legally binding charterparties (the "**Charterparties**") with the Charterer, being an Independent Third Party, to charter the Vessels at agreed hire rates for a fixed period of twenty-three (23) to twenty-five (25) months and the Charterer has an option to extend the charter period of eleven (11) to thirteen (13) months. The Group's business strategy is to restructure the Group's current business and investment portfolios as well as broadening the scope of its shipping business operations. The income to be generated from the Charterparties will yield a higher return and strengthen the overall financial position of the Group whilst those chartering income serve to generate stable cash inflow in the long term. The Directors are of the view that, with a larger fleet size and more effective fleet management, the Group's shipping business will become more profitable in the future.

Based on the above, the Directors consider that the Acquisition is on normal commercial terms that are fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Company entered into both MOAs with the Vendors (both of which are members of the Vendor Group) in relation to the Acquisition on 23 January 2018, the acquisition of Vessel A will, pursuant to Rule 14.22 of the Listing Rules, be aggregated with the acquisition of Vessel B and treated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. As the highest relevant percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition (on an aggregated basis) is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

According to Rule 14.67(6)(b) of the Listing Rules, on an acquisition of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation, certain historical financial information and valuation of the assets being acquired and pro forma financial information of the listed issuer's group combined with the assets being acquired should be included in the circular for a major transaction. In view that (i) the Group is not able to obtain the financial information in relation to the Vessels from the Vendors which are private companies; and (ii) the Group was not in position to gain access to the books and records of the Vessels from the Vendors, the Company has submitted an application to the Stock Exchange for a waiver from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules for this matter.

The Acquisition General Meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the MOAs and the transactions contemplated thereunder. The aforesaid approvals shall be obtained by way of a poll. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the MOAs and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the resolutions to approve the MOAs and the transactions contemplated thereunder at the Acquisition General Meeting.

A circular containing, among other things, further information on the MOAs and the transactions contemplated thereunder and the financial information of the Group will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules. It is currently expected that the circular will be despatched by the Company to the Shareholders on or about 9 February 2018.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the acquisition of Vessel A and Vessel B by the Purchasers from the Vendors subject to and upon the terms and conditions of the MOAs
“Acquisition General Meeting”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the MOAs and the transactions contemplated thereunder
“Banking Day”	a day on which banks are open in the United States of America, London, Copenhagen and Hong Kong
“Board”	the board of Directors
“Charterer”	a privately owned company established under the laws of Bahamas with limited liability and is specialised in dry bulk shipping. It is also a member of a well-established privately owned group headquartered in Northern Europe in the shipping business since the 1900s and operates a fleet of up to 160 vessels, whose principal operations include dry bulk pool management, roll-on/roll-off services, vessels performance and investments in ferry services, cruise ships and vessels
“Company”	Asia Energy Logistics Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 351)
“Completion”	completion of the Acquisition in accordance with the MOAs
“Deposit Holder”	Reed Smith LLP, a law firm located in London, the United Kingdom
“Directors”	the directors of the Company
“DWT”	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship’s carrying capacity, including bunker oil, fresh water, crew and provisions
“Fundraising General Meeting”	the extraordinary general meeting of the Company to be held on Friday, 26 January 2018 to consider and, if thought fit, approve the Placing and the Subscription

“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
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Independent Valuer”	Galbraith’s Ltd, one of the longest established and most respected shipbroking house in the world and is a member and shareholder of the Baltic Exchange, the London Tanker Brokers’ Panel, the Worldscale Association (London) and the Ship Valuation Panel
“Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
“MOA 1”	memorandum of agreement dated 23 January 2018 and entered into between Purchaser A and Vendor A in relation to the acquisition of Vessel A
“MOA 2”	memorandum of agreement dated 23 January 2018 and entered into between Purchaser B and Vendor B in relation to the acquisition of Vessel B
“MOAs”	MOA 1 and MOA 2
“Placing”	the placing of the new shares by the Company to the placee(s)
“Placing Agreement”	the placing agreement dated 30 November 2017 between the Company and a placing agent in respect of the Placing, particulars of which are set out in the Previous Circular
“Previous Circular”	the circular of the Company dated 5 January 2018
“Purchaser A”	Laurel Gold Shipping Limited, an indirect wholly-owned subsidiary of the Company
“Purchaser B”	Lotus Gold Shipping Limited, an indirect wholly-owned subsidiary of the Company
“Purchasers”	Purchaser A and Purchaser B
“Share(s)”	ordinary share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the convertible bonds of the Company by the subscriber
“Subscription Agreement”	the subscription agreement dated 30 November 2017 and entered into between the Company and a subscriber in respect of the Subscription, particulars of which are set out in the Previous Circular
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor A”	CFCL Handy Clip III LLC
“Vendor B”	CFCL Handy Clip IV LLC
“Vendors”	Vendor A and Vendor B
“Vessel A”	M.V. “Clipper Selo”
“Vessel B”	M.V. “Clipper Panorama”
“Vessels”	Vessel A and Vessel B
“%”	per cent.

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

23 January 2018

The exchange rate adopted in this announcement for illustration purposes only is US\$1.00 = HK\$7.8.

As at the date of this announcement, the executive Directors are Mr. Liang Jun, Mr. Fu Yongyuan and Mr. Lin Wenqing; the non-executive Director is Mr. Yu Baodong (Chairman); and the independent non-executive Directors are Mr. Chan Chi Yuen, Mr. Siu Miu Man and Mr. Wong Cheuk Bun.