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: 0351)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The board (the "Board") of directors (the "Directors") of Asia Energy Logistics Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014, together with the comparative figures for the previous corresponding period, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	4	**36,680**	19,084
Cost of sales		**(32,620)**	(17,158)
Gross profit		**4,060**	1,926
Other income, gains and (losses)		**(10,815)**	12,129
Depreciation and amortisation		**(5,883)**	(6,334)
Staff costs		**(19,814)**	(22,682)
Impairment loss on intangible assets		**(55,062)**	(6,244)
Change in fair value of contingent consideration payable		**10,833**	(17,689)
Share of results of jointly controlled entity		**(15,732)**	(14,242)
Other operating expenses		**(36,201)**	(20,514)
Finance cost	6	**(113,730)**	(55,196)
Loss before income tax	7	**(242,344)**	(128,846)
Income tax	8	**6,579**	—
Loss for the year		**(235,765)**	(128,846)

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which maybe reclassified subsequently to profit or loss		**(3,769)**	20,395
Total comprehensive income for the year		**(239,534)**	(108,451)
Loss for the year attributable to:			
Owners of the Company		**(184,812)**	(101,069)
Non-controlling interests		**(50,953)**	(27,777)
		(235,765)	(128,846)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(187,439)**	(87,900)
Non-controlling interests		**(52,095)**	(20,551)
		(239,534)	(108,451)
Loss per share			
— **basic and diluted** *(HK cents per share)*	10	**(1.38)**	(0.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**73,087**	73,763
Intangible assets		**19,956**	78,585
Construction in progress		**2,127,323**	1,946,519
Railway construction prepayment		**11,117**	88,962
Interest in a jointly controlled entity		**—**	—
Interest in an associate		**—**	—
		2,231,483	2,187,829
Current assets			
Other receivables and prepayments	11	**49,987**	48,639
Trading securities		**—**	36,234
Loan to an associate		**—**	17,025
Cash and cash equivalents		**15,653**	13,152
		65,640	115,050
Current liabilities			
Trade and other payables	12	**166,246**	53,948
Bank loans and other borrowings		**452,406**	268,618
Amount due to a jointly controlled entity		**43,734**	28,039
Amounts due to minority equity owners of subsidiaries		**9,272**	9,303
		671,658	359,908
Net current liabilities		**(606,018)**	(244,858)
Total assets less current liabilities		**1,625,465**	1,942,971
Non-current liabilities			
Bank loans		**1,055,928**	1,123,067
Contingent consideration payable		**17,836**	28,669
		1,073,764	1,151,736
NET ASSETS		**551,701**	791,235
Capital and reserves attributable to owners of the Company			
Share capital — nominal value	13	**—**	134,100
Share premium	13	**—**	1,301,549
Share capital (2013: Share capital and share premium)	13	**1,435,649**	1,435,649
Other reserves		**(1,045,420)**	(857,981)
Equity attributable to owners of the Company		**390,229**	577,668
Non-controlling interests		**161,472**	213,567
TOTAL EQUITY		**551,701**	791,235

NOTES

1. ORGANISATION AND OPERATIONS

Asia Energy Logistics Group Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and its principal place of business is located at Unit 1708, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Group, comprising the Company and its subsidiaries, together with its jointly controlled entity, is engaged in (i) railway construction and operations and (ii) shipping and logistics.

2. STATEMENT OF COMPLIANCE AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Statement of Compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap.622 "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance, Cap.622, the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Application of New and Revised HKFRSs

HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group, but do not have significant impact on the consolidated financial statements.

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the year ended 31 December 2014 and which have not been early adopted in the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the directors of the Company are not yet in a position to quantify the effects on the Group's financial statements.

3. BASIS OF MEASUREMENT AND GOING CONCERN ASSUMPTION

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which have been measured at fair value.

(b) Going concern assumption

As at 31 December 2014, the Group had net current liabilities of HK$606,018,000 and incurred a loss of HK$235,765,000 for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group's net current liabilities as at 31 December 2014 are mainly attributable to its three non-wholly owned subsidiaries, 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company"), 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company") and 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively the "Railway Companies") which are principally engaged in the construction and operations of a railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省), the People's

* *for identification purposes only*

Republic of China (the "People's Republic of China") (the "Zunxiao Railway"). As described in the Company's announcement dated 28 February 2014, the Group, through its wholly-owned subsidiary entered into three disposal agreements dated 14 February 2014 as amended subsequently by three supplemental agreements (collectively the "Disposal Agreements") with 河北建投交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd.*) ("Hebei CTICL" or the "Purchaser") for the disposal of its majority equity interests in Kuanping Company and Zunxiao Company (with 9.48% equity interest to be retained by the Group) and the entire equity interest in Tangcheng Company ("the Disposal") at an aggregate cash consideration of RMB433,270,000. The consideration will be settled by four instalments, the last of which falls due on thirty months after the Disposal Agreements have become effective.

As described in a number of subsequent announcements of the Company, the last of which was made on 27 February 2015, there is a prolonged delay in obtaining the requisite approvals from the local authorities since the Disposal Agreements were signed mainly due to three core issues including the possible additional payment to the contractors in respect of the construction work already completed for the entire Zunxiao Railway, the additional land premium payable by the Railway Companies in respect of the land use rights relating to certain sections of the Zunxiao Railway (the "Tangcheng Section") and the compensation payable to the owners of overlaid mine around the Tangcheng Section. As such, the following actions have been or will be undertaken by the Group to expedite the process of resolving the above issues.

Additional payment to the contractors

The Railway Companies have entered into several contracts to confirm the amount of additional construction costs payable to the contractors which have been recognised as construction in progress as at 31 December 2014.

Additional land premium payable in respect of the Tangcheng Section

The Group has submitted the related documents to obtain requisite approvals from the Ministry of Land and Resources of Heibei Province and Tangshan City in November 2014. The Group and the Purchaser are optimistic to obtain the approval in May 2015.

Compensation to the owners of overlaid mine around the Tangcheng Section

On 22 January 2015, the Group has engaged an independent valuer in the PRC to assess and evaluate the above mentioned overlaid mine and the valuation is expected to be completed by the end of April 2015. The Group will negotiate the compensation with the owners of overlaid mine by reference to the mine valuation report and expect to reach a conclusion and inform the Purchaser of the negotiation result in May 2015.

Once the Purchaser, which is a state-owned enterprise established in the PRC and currently owns 12.5% equity interest in each of Zunxiao Company and Kuanping Company, has obtained the results of the three outstanding issues, it will proceed to obtain necessary final approvals from relevant authorities for its acquisition of the equity interests in the Railway Companies. The Company will then seek to obtain shareholders' approval for the Disposal.

At present, the Directors do not foresee any material obstacles in obtaining the approvals and expect that the Disposal will be completed no later than 31 December 2015. The Directors consider that after completion of the Disposal, the Group's financial obligations and liabilities in relation to the Railway Companies will be significantly reduced with significant net cash proceeds to be received.

Prior to completion of the Disposal, the Directors expect that the Railway Companies will continue to rely on the financial support from certain companies (the "Lenders"), one of which is a guarantor of their entire bank loans of HK$1,246,073,000 as at 31 December 2014 and all of them are beneficially owned by a director of certain subsidiaries of the Company including the Railway Companies who is a beneficiary of a discretionary trust which in turn is a substantial shareholder of the Company, in order to meet their financial obligations including payment of interests on bank loans, construction cost payables and other operating expenses. In this connection, one of the Lenders who is a guarantor of the aforementioned bank loans and holding company of the other companies comprising the Lenders has confirmed that it intends to continue to provide such financial support to the Railway Companies and will not demand for repayment of the Lenders' loans of

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HK$228,999,000 as at 31 December 2014 made to the Railway Companies before completion of the Disposal and will negotiate with the Railway Companies to extend the repayment of those loans which are scheduled to fall due before the completion of the Disposal.

In addition, in order to meet the expected repayment of other loans of the Group which amounted to HK$29,459,000 as at 31 December 2014 if the date of their repayment is not extended and to increase general working capital of the Group for its existing operations, on 16 January 2015 and 12 February 2015, the Company entered into a convertible notes subscription agreement and a supplemental agreement (collectively the "Subscription Agreements") respectively with the subscriber whereby the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for the convertible notes in the aggregate principal amount of up to HK$100 million (the "Convertible Notes"). The Directors consider that the issue of each of the two tranches of the Convertible Notes will be approved by shareholders of the Company and will be taken up by the subscriber. Alternatively, the Group may pledge its vessel to banks for additional funding as necessary if the Convertible Notes are not issued by the Company.

In view of the above circumstances, the Directors have prepared a cash flow forecast of the Group for the fifteen months ending 31 March 2016 after taking into account (i) the Disposal is expected to be completed no later than 31 December 2015; (ii) the Lenders intend to continue and able to provide financial support to the Railway Companies to meet their financial obligations and will not demand for repayment of their loans made to the Railway Companies before completion of the Disposal; and (iii) additional funds can be obtained either from issue of the Convertible Notes pursuant to the Subscription Agreements, which will be approved by shareholders of the Company and will be taken up by the subscriber, or pledge of vessel to banks. The Directors consider the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2014. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to write down the carrying amounts of the assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

4. TURNOVER

Turnover, which is also revenue, represents the amount received and receivable for time charters:

	2014	2013
	HK$'000	*HK$'000*
Charter-hire income	**36,680**	19,084

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' result that are used by the chief operating decision-maker for assessment of segment performance.

The Group considers it has two reportable segments since September 2013 when it commenced to earn charter-hire income. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Railway construction and operations

— Shipping and logistics

The following tables present information regarding revenue, profit or loss, assets and liabilities for each reportable segment:

Year ended 31 December 2014	**Railway construction and operations** *HK'000*	**Shipping and logistics** *HK'000*	**Total** *HK'000*
Segment revenue from external customers	**—**	**36,680**	**36,680**
Segment loss	**(128,621)**	**(70,611)**	**(199,232)**
Other segment information:			
Interest revenue	**8**	**—**	**8**
Interest expenses	**(113,148)**	**—**	**(113,148)**
Depreciation of property, plant and equipment	**(1,414)**	**(4,541)**	**(5,955)**
Amortisation of intangible assets	**—**	**(3,567)**	**(3,567)**
Impairment loss on intangible assets	**—**	**(55,062)**	**(55,062)**
Share of results of jointly controlled entity	**—**	**(15,732)**	**(15,732)**
Operating lease payments	**(484)**	**(9,860)**	**(10,344)**
Additions to non-current segment assets during the year	**(101,514)**	**(6,213)**	**(107,727)**

Year ended 31 December 2013	Railway construction and operations *HK'000*	Shipping and logistics *HK'000*	Total *HK'000*
Segment revenue from external customers	—	19,084	19,084
Segment loss	(68,634)	(22,465)	(91,099)
Other segment information:			
Interest revenue	5	—	5
Interest expenses	(55,184)	—	(55,184)
Depreciation of property, plant and equipment	(1,532)	(281)	(1,813)
Amortisation of intangible assets	—	(3,854)	(3,854)
Impairment loss on intangible assets	—	(6,244)	(6,244)
Share of results of jointly controlled entity	—	(14,242)	(14,242)
Operating lease payments	(569)	(15,305)	(15,874)
Additions to non-current segment assets during the year	(71,418)	(63,994)	(135,412)

The following tables present the reconciliations of segment profit or loss, assets and liabilities:

	2014	2013
	HK$'000	*HK$'000*
Loss		
Segment loss	**(199,232)**	(91,099)
Other income	**274**	1,203
Net (loss)/gain on trading securities	**(12,036)**	10,684
Gain on disposal of a subsidiary	**939**	—
Impairment loss on loan to an associate	**—**	(1,125)
Change in fair value of contingent consideration payable	**10,833**	(17,689)
Other unallocated corporate expenses	**(43,122)**	(30,820)
Consolidated loss before income tax	**(242,344)**	(128,846)

	2014	2013
	HK$'000	*HK$'000*
Assets		
Railway construction and operations	**2,173,067**	2,070,099
Shipping and logistics	**91,160**	157,821
Segment assets	**2,264,227**	2,227,920
Intangible assets	**1,000**	1,000
Trading securities	**—**	36,234
Loan to an associate	**—**	17,025
Other unallocated corporate assets	**31,896**	20,700
Consolidated total assets	**2,297,123**	2,302,879
Liabilities		
Railway construction and operations	**1,667,592**	1,448,385
Shipping and logistics	**46,181**	30,748
Segment liabilities	**1,731,773**	1,479,133
Contingent consideration payable	**17,836**	28,669
Other unallocated corporate liabilities	**13,813**	3,842
Consolidated total liabilities	**1,745,422**	1,511,644

Geographical information

The Group's non-current assets are principally located in the PRC.

Geographical segment information of the Group's revenue is not presented as the directors consider that the nature of the provision of shipping services, which are carried out internationally, preclude a meaningful allocation of operating profit to specific geographical segments.

Major customers

Revenue from the Group's major customers of shipping and logistics segment represents 10% or more of the Group's revenues are listed as below:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**—**	8,791
Customer B	**—**	5,941
Customer C	**—**	2,351
Customer D	**7,428**	2,001
Customer E	**17,124**	—
Customer F	**9,909**	—
	34,461	19,084

6. FINANCE COST

	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans		
— wholly repayable within five years	**97,964**	—
— wholly repayable after five years	**—**	104,447
	97,964	104,447
Interest on other borrowings		
— wholly repayable within five years	**15,766**	3,387
Total borrowing costs	**113,730**	107,834
Less: amount capitalised in construction in progress on specific borrowings	**—**	(52,638)
	113,730	55,196

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Net loss/(gain) on trading securities		
— Change in fair value of trading securities	**—**	(80,190)
— Loss on disposal of trading securities	**12,036**	69,506
	12,036	(10,684)
Depreciation of property, plant and equipment		
— Recognised in cost of sales	**4,540**	281
— Recognised in administrative expenses	**2,316**	2,480
Amortisation of intangible assets	**3,567**	3,854
	10,423	6,615
Staff costs (included directors' remuneration)		
— Salaries, wages and other benefits	**19,521**	20,836
— Equity-settled share-based payments	**—**	1,583
— Contributions to defined contribution retirement scheme	**293**	263
	19,814	22,682
Auditor's remuneration	**940**	938
Impairment loss on intangible assets	**55,062**	6,244
Impairment loss on loan to an associate	**—**	1,125
Gain on disposal of property, plant and equipment	**—**	(234)
Gain on disposal of a subsidiary	**(939)**	—
Operating lease rentals in respect of		
— land and buildings	**3,736**	4,462
— vessel	**9,860**	15,305
Net exchange loss	**19**	20

8. INCOME TAX

The income tax (credit)/expense for the year can be reconciled to the accounting loss as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax	**(242,344)**	(128,846)
Tax credit calculated at PRC Enterprise Income Tax rate of 25% (2013: 25%)	**(60,586)**	(32,211)
Tax effect of differential tax rate	**20,306**	6,925
Tax effect of expenses not deductible for taxation purpose	**36,718**	23,772
Tax effect of non-taxable items	**(1,815)**	(13,460)
Tax effect of unrecognised tax losses and other temporary differences	**5,377**	14,974
Hong Kong profits tax refund in respect of prior years	**(6,579)**	—
Income tax credit for the year	**(6,579)**	—

Hong Kong profits tax, if any, is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subjected to PRC Enterprise Income Tax at 25% (2013: 25%).

9. DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2014 (2013: Nil).

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

10. LOSS PER SHARE

(a) The calculation of basic loss per share attributable to owners of the Company is based on the following data:

	2014	2013
	HK$'000	*HK$'000*
(i) Loss for the year attributable to owners of the Company	**184,812**	101,069

(ii) Weighted average number of ordinary shares

The weighted average number of ordinary shares in issue during the year ended 31 December 2014 was approximately 13,410,027,100 (2013: 12,949,446,000).

	2014	2013
Basic loss per share (HK cents)	**1.38**	0.78

(b) Diluted loss per share is the same as basic loss per share for both years as the potential ordinary shares on exercise of share options and contingent consideration shares are anti-dilutive.

11. OTHER RECEIVABLES AND PREPAYMENTS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Other receivables and prepayments		
— third parties	**23,816**	58,368
— related party	**26,171**	26,171
	49,987	84,539
Less: Provision for impairment	**—**	(35,900)
Other receivables and prepayments, net	**49,987**	48,639

During the year ended 31 December 2014, provision for impairment on other receivables of HK$35,900,000 was written off as management considers that those balances impaired were irrecoverable.

At 31 December 2014, other receivables and prepayments of HK$7,050,000 (2013: HK$Nil) were past due but not impaired and remaining balances were neither past due nor impaired. Balance past due but not impaired related to a debtor with no recent history of default.

12. TRADE AND OTHER PAYABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade payables		
— current and up to 30 days	**1,366**	553
Construction cost payables	**153,240**	43,524
Other payables	**11,640**	9,871
	166,246	53,948

13. SHARE CAPITAL

Authorised, issued and fully paid share capital

	2014		2013	
	Number of ordinary shares	***HK$'000***	*Number of ordinary shares*	*HK$'000*
Authorised:				
At 1 January	**120,000,000,000**	**1,200,000**	120,000,000,000	1,200,000
The concept of authorised share capital is abolished on 3 March 2014 (Note (i))	**(120,000,000,000)**	**(1,200,000)**	—	—
At 31 December	**—**	**—**	120,000,000,000	1,200,000
Issued and fully paid:				
At 1 January	**13,410,027,100**	**134,100**	12,857,027,100	128,570
Shares issued under placing shares scheme (Note (ii))	**—**	**—**	553,000,000	5,530
Transfer from share premium account on 3 March 2014 (Note (i))	**—**	**1,301,549**	—	—
At 31 December	**13,410,027,100**	**1,435,649**	13,410,027,100	134,100

Notes:

(i) On 3 March 2014, the Hong Kong Companies Ordinance (Cap. 662) (the "Ordinance") came into effect which results in (a) the Company's authorised share capital ceased to exist (by virtue of section 98(4) of the Ordinance); (b) the Company's shares ceased to have nominal or par value (by virtue of section 135 of the Ordinance); (c) the amounts standing to the credit of the Company's share premium account became part of the Company's share capital (by virtue of paragraph 37 of Schedule 11 to the Ordinance).

Following the Ordinance coming into effect on 3 March 2014, as at 31 December 2014, there are no preference shares of class A and class B authorised for issue (2013: 10,000,000,000 preference shares of class A and 10,000,000,000 preference shares of class B authorised for issue). No preference shares have been issued as at 31 December 2013 and 2014.

(ii) On 1 November 2013, a total of 553,000,000 ordinary shares were placed and issued at share price of HK$0.072 per share which resulted in net proceeds of HK$38,503,000 after issue expenses of HK$1,313,000. During the year ended 31 December 2014, no ordinary shares were issued.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the "opinion" paragraph in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2014.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance Cap.32.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the consolidated financial statements which indicate that as at 31 December 2014 the Group had net current liabilities of HK$606,018,000 and incurred a loss of HK$235,765,000 for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BUSINESS REVIEW

Segment information

During the year under review, the Group was principally engaged in railway construction and operations and shipping and logistics businesses.

Railway construction and operations

The Group's investment in railway construction and operations started in July 2009. As disclosed in the Company's previous financial reports, the construction progress had been obstructed significantly owing to contingent circumstances even though continuous efforts had been made to expedite the construction progress. Based on the latest assessment of the construction progress, the completion date is still uncertain and no revenue would be generated until then.

In view of the prolonged delay in the completion of Zunxiao Railway and the pressure of additional funding requirements on the Group's limited financial resources, the Company has been investigating various options to minimize the potential adverse impacts as a result of this delay on the Group's cash flow and financial position. As announced by the Company on 28 February 2014, the Company's indirectly wholly-owned subsidiary, China Railway Logistic Holdings Limited (the "Vendor"), and 河北建投交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd*, the "Purchaser") entered into three disposal agreements (the "Disposal Agreements") for the disposal (the "Disposal") of the Group's majority equity interests in 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) and 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) and the entire equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*).

Since the signing of the Disposal Agreements, the Company, the Vendor and the Purchaser have been working closely together to obtain the approvals from the relevant authorities and the parties to the Disposal Agreements are optimistic and at present do not foresee any material obstacles in obtaining such approvals.

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The Board reckons that there have been a prolonged delay in obtaining the requisite approvals and in the despatch of the circular which in turn causing a delay in the completion of the Disposal (the "Completion"). In view that the financial position and operations of the Group will be significantly improved after the Completion and the prolonged delay would not hinder the approval process nor would it incur material additional resources by the Company to carry out its daily operations, the Board is of the view that notwithstanding the prolonged delay, the Disposal in the long run is in the interests of the Company and its shareholders as a whole.

Shipping and logistics

The Group has been conducting its shipping business through the joint venture company which is engaged in shipping business (the "JV Company" and together with its subsidiaries the "JV Group"). Since the acquisition of the two Handysize Vessels in 2010, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavourable market conditions. As announced by the Company on 13 March 2015, the parties to the JV Group agreed to extend the deadline for the acquisition of the other vessels to 31 December 2015 and 31 December 2016, respectively.

In anticipation of the possible shipping market turnaround and with a view to restructure the Group's current business and investment portfolios as well as broaden the scope of its shipping business operation, the Group was engaged in vessel chartering business through a hired vessel with carrying capacity of approximately 55,000DWT, MV Jin Yuan, from September 2013 to May 2014. In addition, the Company acquired a bulk carrier, MV Tremonia (which was then renamed as MV Asia Energy), with carrying capacity of approximately 28,000DWT in November 2013.

During the period under review, the performance of MV Asia Energy has been satisfactory and it has made a positive contribution to the Group.

Prospects

The Group is in the process of disposing a majority part of its interests in the Zunxiao Railway in order to concentrate on the development and expansion of its shipping business. Should the completion of the Disposal be realized, the net proceeds from the Disposal will be applied towards the acquisition of vessels which consists of a secondhand Handysize vessel by the Group and two Panamax or Supramax vessels by the JV Group and also for general working capital of the Group.

The Group will also identify opportunities in the capital market and if possible, conduct fundraising activities to support the further growth of its shipping business and capture other profitable investment opportunities which may arise in the future.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

SUBSEQUENT EVENTS

Before the end of the year under review on 12 December 2014, the Company entered into a non-legally binding Indicative Term Sheet with the Advance Opportunities Fund (the "Subscriber") as represented by the Advance Capital Partners Pte. Ltd ("ACP") to which the Subscriber intends to subscribe and the Company intends to issue the convertible notes in the aggregate principal amount of up to HK$100 million (the "Convertible Notes"). On 16 January 2015 and 12 February 2015, the

Company entered into a subscription agreement and a supplemental agreement (collectively, the "Subscription Agreements") with the Subscriber and ACP in which the Convertible Notes shall comprise two tranches with principal amount of HK$60 million for the Tranche 1 Notes (comprise 24 equal sub-tranches of HK$2.5 million each) and principal amount of HK$40 million for the Tranche 2 Notes (comprise 8 equal sub-tranches of HK$5 million each). The Subscriber had also granted an option to the Company to require the Subscriber to subscribe for the Convertible Notes from the Company at the issue price during the option period. Hence, the issue of each of the two tranches of the Convertible Notes is subject to approval by shareholders of the Company.

On 13 March 2015, the circular (the "Circular") for the proposed issue of Convertible Notes and notice of general meeting of the Company (the "General Meeting") were despatched to the shareholders of the Company. The General Meeting will be held on 30 March 2015 to approve, ratify and confirm the Subscription Agreements and the transactions contemplated thereunder, including the creation and issue by the Company of the Tranche 1 Note and the allotment and issue of the conversion share upon exercise of the conversion rights attaching to the Tranche 1 Note.

Details of the proposed issue of the Convertible Notes were set out in the announcements of the Company dated 12 December 2014, 16 January 2015, 29 January 2015, 12 February 2015, 16 February 2015 and 27 February 2015 and the Circular dated 13 March 2015.

Furthermore, the JV Company and the shareholders of the JV Company entered into a seventh memorandum of mutual understanding on 13 March 2015 and agreed to extend the time for the acquisition of the third Vessel by the JV Group to 31 December 2015 and the time for the acquisition of the forth Vessel by the JV Group to 31 December 2016, details of which are set out in the announcement of the Company dated 13 March 2015.

CORPORATE GOVERNANCE PRACTICES

It is a continuing commitment of the Board and the management of the Company to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has adopted and applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") Appendix 14 to the Listing Rules.

Throughout the year ended 31 December 2014, the Company has complied with the CG Code, save for the deviations specified and explained below.

Code Provision A.2.1

The post of chief executive (the "Chief Executive") of the Company has remained vacant since March 2000. 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 Board structure 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.

Code Provision A.6.7

Code Provision A.6.7 of the CG Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Ms. Sun Wei, and Mr. Tse On Kin, both being the non executive directors, and Mr. Zhang Xi, an independent non-executive director, did not attend the annual general meeting of the Company held on 12 May 2014 due to their other business engagements.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statements of comprehensive income and financial position and the related notes thereto for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the announcement.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Chan Chi Yuen (Chairman), Mr. Zhang Xi and Professor Sit Fung Shuen, Victor.

The audited financial results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.aelg.com.hk). The annual report of the Company for the year ended 31 December 2014 will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 20 March 2015

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), Ms. Sun Wei and Mr. Tse On Kin; and the independent non-executive directors of the Company are Mr. Chan Chi Yuen, Mr. Zhang Xi and Professor Sit Fung Shuen, Victor.