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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016
AND
THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The Board wishes to provide, for the purpose of the Annual Report and the Interim Report, the following additional information for the year ended 31 December 2016 and the six months ended 30 June 2017 in relation to the Convertible Notes issued by the Company.

Reference is made to the annual report of Asia Energy Logistics Group Limited (the “**Company**”) for the year ended 31 December 2016 (the “**Annual Report**”) and the interim report of the Company for the six months ended 30 June 2017 (the “**Interim Report**”). Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as they are defined in the Annual Report and the Interim Report.

The Board wishes to provide, for the purpose of the Annual Report and the Interim Report, the following additional information for the year ended 31 December 2016 and the six months ended 30 June 2017 in relation to the Convertible Notes issued by the Company.

As disclosed in the section headed “Management Discussion and Analysis – Fundraising Activities” in the Annual Report and in the Interim Report, the Company entered into the Subscription Agreement on 16 January 2015, which was supplemented and amended by the Supplemental Agreement with the Subscriber and ACP pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the Convertible Notes in the

aggregate principal amount of up to HK\$100 million at a price equivalent to 100% of the principal amount of the Convertible Notes. The Convertible Notes comprised the Tranche 1 Notes in an aggregate principal amount of up to HK\$60 million and the Tranche 2 Notes in an aggregate principal amount of up to HK\$40 million.

During the year ended 31 December 2016, the Tranche 1 Notes were fully issued, subscribed and converted and the Tranche 2 Notes with principal amount of HK\$10 million were subscribed and issued to the Subscriber, of which HK\$7 million were converted and the Tranche 2 Notes with a principal amount HK\$3 million remained unconverted as at 31 December 2016.

During the six months ended 30 June 2017, the Tranche 2 Notes with principal amount of HK\$2.5 million were subscribed and issued to the Subscriber, of which HK\$2 million were converted and the Tranche 2 Notes with a principal amount HK\$0.5 million remained unconverted as at 30 June 2017.

Dilution effect of the conversion of the Convertible Notes

The following table sets out the total number of Shares to be issued upon full conversion of the Tranche 2 Notes subscribed but remained unconverted as at 31 December 2016:

	As at 31 December 2016		Immediately upon full conversion of the Tranche 2 Notes subscribed but remained unconverted as at 31 December 2016 (Note 1)	
	<i>Number of Shares (Note 2)</i>	<i>Approximate % of issued Shares</i>	<i>Number of Shares (Note 2)</i>	<i>Approximate % of issued Shares</i>
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	31.75%	455,297,032	31.57%
Mr. Zhu Gongshan	113,745,000	7.93%	113,745,000	7.89%
Public Shareholders				
Subscriber	18,435,634	1.29%	26,587,808	1.84%
Other public Shareholders	846,459,321	59.03%	846,459,321	58.70%
Total	<u>1,433,936,987</u>	<u>100.00%</u>	<u>1,442,089,161</u>	<u>100.00%</u>

Notes:

1. Assuming conversion of the Tranche 2 Notes subscribed but remained unconverted as at 31 December 2016 at the hypothetical conversion price of HK\$0.368 (adjusted following the share consolidation), being 80% of the average of the closing prices per Share on 23 December 2016 to 29 December 2016 (being three consecutive business days with the lowest average Share price during the 45 business days immediately preceding 31 December 2016).
2. Adjusted following the share consolidation of every ten issued ordinary shares of the Company into one ordinary share which became effective as from 27 March 2017.

The following table sets out the total number of Shares to be issued upon full conversion of the Tranche 2 Notes subscribed but remained unconverted as at 30 June 2017:

	As at 30 June 2017		Immediately upon full conversion of the Tranche 2 Notes subscribed but remained unconverted as at 30 June 2017 (Note)	
	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	31.21%	455,297,032	31.14%
Mr. Zhu Gongshan	113,745,000	7.80%	113,745,000	7.78%
Public Shareholders				
Subscriber	10,709,329	0.73%	14,200,949	0.97%
Other public Shareholders	<u>878,866,392</u>	<u>60.26%</u>	<u>878,866,392</u>	<u>60.11%</u>
Total	<u>1,458,617,753</u>	<u>100.00%</u>	<u>1,462,109,373</u>	<u>100.00%</u>

Note:

Assuming conversion of the Tranche 2 Notes subscribed but remained unconverted as at 30 June 2017 at the hypothetical conversion price of HK\$0.1432, being 80% of the average of the closing prices per Share on 27 April 2017 to 2 May 2017 (being three consecutive business days with the lowest average Share price during the 45 business days immediately preceding 30 June 2017).

Dilution impact on loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

For the year ended 31 December 2016

Loss for the year ended 31 December 2016 attributable to owners of the Company	HK\$267,385,000
Weighted average number of Company's shares in issue as at 31 December 2016	1,422,037,873 <i>(Note 1)</i>
Adjustment for:	
– Assumed conversion of the Tranche 2 Notes subscribed but remained unconverted as at 31 December 2016	8,152,174 <i>(Note 1)</i>
Weighted average number of Company's shares for diluted loss per share	1,430,190,047 <i>(Note 1)</i>
Basic loss per share	HK cents 18.80 <i>(Note 1)</i>
Diluted loss per share assuming full conversion of the Tranche 2 Notes subscribed but remained unconverted as at 31 December 2016	HK cents 18.80 <i>(Notes 1&2)</i>

Notes:

1. Adjusted following the share consolidation of every ten issued ordinary shares of the Company into one ordinary share which became effective as from 27 March 2017.
2. Diluted loss per share is the same as basic loss per share as the potential ordinary shares on exercise of the Convertible Notes are anti-dilutive.

For the six months ended 30 June 2017

Loss for the six months ended 30 June 2017 attributable to owners of the Company	HK\$28,294,000
Weighted average number of Company's shares in issue as at 30 June 2017	1,443,586,605
Adjustment for:	
– Assumed conversion of the Tranche 2 Notes subscribed but remained unconverted as at 30 June 2017	3,491,620
Weighted average number of Company's shares for diluted loss per share	1,447,078,225
Basic loss per share	HK cents 1.96
Diluted loss per share assuming full conversion of the Tranche 2 Notes subscribed but remained unconverted as at 30 June 2017	HK cents 1.96 (Note)

Note:

Diluted loss per share is the same as basic loss per share as the potential ordinary shares on exercise of the Convertible Notes are anti-dilutive.

According to the terms and conditions of the Tranche 2 Notes, only the Company may redeem the Tranche 2 Notes in cash at the redemption amount if the conversion price is less than or equal to HK\$0.525.

Based on the cash and cash equivalent as at 31 December 2016 and 30 June 2017 and the cash flow from the operation of the Company, the Company has an ability to meet its redemption obligations under the Tranche 2 Notes subscribed but remained unconverted as at 31 December 2016 and 30 June 2017 respectively.

According to the terms and conditions of the Tranche 2 Notes, the securityholders do not have the right to redeem the Tranche 2 Notes. Thus, an analysis on the Company's share price at which it would be equally financially advantageous for the securityholders to convert or redeem the Tranche 2 Notes based on their implied rate of return at a range of dates in the future is not applicable.

The Board confirms that the above additional information does not affect other information contained in the Annual Report and the Interim Report and the contents of the Annual Report and the Interim Report remain correct and unchanged.

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

21 September 2017

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, 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, Mr. Siu Miu Man and Mr. Wong Cheuk Bun.