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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)**

**ADDITIONAL INFORMATION RELATING TO THE ANNUAL  
REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

Reference is made to the annual report of Asia Energy Logistics Group Limited (the “**Company**”) for the year ended 31 December 2018 (the “**Annual Report**”). Unless the context requires otherwise, terms used in this announcement shall have the same meanings as they are used in the Annual Report.

The board of directors of the Company (the “**Board**”) wishes to provide the following additional information in relation to the Annual Report:

**THE VIEW OF THE AUDIT COMMITTEE OF THE COMPANY (THE “AUDIT COMMITTEE”) ON THE BOARD’S BASIS FOR THE USE OF GOING CONCERN ASSUMPTION ADOPTED IN PREPARING THE ANNUAL REPORT**

The Audit Committee has reviewed and agreed with the Board’s basis for the going concern basis adopted in preparing the financial statements and such basis has been disclosed in the section headed “Note 4 — Principal Accounting Policies — Going concern basis to the consolidated financial statements” set out on pages 77 to 79 of the Annual Report.

The steps/actions taken by the Audit Committee in fulfilling its duties to ensure that the Board will provide a timely response to the issues raised by the Auditor and present the financial statements which give a true and fair view include, among other things:

- at the audit planning meeting held on 10 January 2019, members of the Audit Committee were afforded a chance to meet with the Auditor to discuss the audit plan and the issues faced by the Company in the preparation of the Annual Results. During the meeting, the Audit Committee has been informed by the Auditor about the potential qualification of the use of going concern assumption and discussed with the management to understand the actual plan to deal with these issues;

- at the meeting of the Audit Committee held on 28 March 2019, the Audit Committee has considered the Annual Results with reference to the report entitled “Communication with Those Charged with Governance” (the “**Report**”) prepared by the Auditor which sets out the findings of the Auditor on the major judgmental areas and the basis for disclaimer of opinion included in the Annual Report and during the meeting, the Audit Committee also enquired extensively about the issues relating to the disclaimer of opinion by the Auditor, in particular, the issues relating going concern basis in preparation of the consolidated financial statements;
- at the Board meeting held immediately after the meeting of the Audit Committee held on 28 March 2019, the Audit Committee reported to and discussed with the Board on the issues raised in the Report in respect of the Annual Report with focuses being placed on the assumptions adopted in a cash flow forecast covering a period up to 30 June 2020 (the “**Cash Flow Forecast**”) and the Board has provided response to these issues; and
- based on the information provided by the management and the steps which the management has taken to deal with the situation, including but not limited to the measures taken by the management in improving the financial position of the Group during the year; viz., the extension of the bank loans, which was originally due for repayment on 31 December 2018 for a further one year up to 31 December 2019; the execution of fund raising activities during the year ended 31 December 2018 with gross proceeds of approximately HK\$220.5 million; the written confirmation from Golden Concord Holdings Limited (“**GCL**”) for provision of financial support to the Railway Companies and will not demand for repayment of other borrowings of the Group, the Audit Committee concurred with the management on the going concern basis and assumptions adopted in preparing the consolidated financial statements.

#### **DETAILS OF WORKS TAKEN BY THE COMPANY IN RESOLVING THE DISCLAIMERS SINCE THE PUBLICATION OF THE 2017 ANNUAL RESULTS**

The works/steps taken by the Company in resolving the disclaimers since the publication of the 2017 annual results on 23 March 2018 include, among other things:

**(i) the impairment losses on property, plant and equipment, construction in progress and railway construction prepayment**

Since the publication of the 2017 annual results, the representatives of Tangshan Tangcheng Railway Transportation Company Limited (唐山唐承鐵路運輸有限責任公司) (“**Tangcheng Company**”) and the Mine Owner, together with the local government officials, had met on three occasions in July, September and November 2018 to discuss and negotiate on the possible ways to resolve the mine issues.

As a step forward to resolve the overlaid mine issue, on 22 November 2018, an agreement to jointly appoint (共同委託書) independent valuer(s) (the “**Joint Appointment Agreement**”) was entered into between Tangcheng Company and the Mine Owner. Pursuant to the Joint Appointment Agreement, valuers will be appointed to assess the reserve of iron ore, assets and value of the overlaid mine, which shall form the basis for negotiation of the compensation amount payable to the Mine Owner.

Tangcheng Company has engaged an independent qualified valuer to perform the assessment on the reserve of iron ore which started in December 2018 and the assessment was completed in March 2019. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

**(ii) the Company’s going concern basis in preparation of the consolidated financial statements**

The Company initially negotiated with the major bank (the “**Bank**”) for renewal of its bank loans in the amount of approximately RMB900 million for a further term of 5 years and more after 31 December 2018, which was the original due date of the bank loans due for repayment by the Railway Companies. The Company also negotiated with other creditors to extend the repayment period for other outstanding amount payable by the Company.

On 19 April 2018, the Company entered into a memorandum of understanding with GCL, whereby GCL agreed to provide all necessary support to the Railway Companies in their negotiation with the major bank for extension of the repayment date of the entire or partial amount of the existing bank loans. After various discussions between the Group and the Bank, the Bank, by the end of December 2018, has agreed to extend the repayment date with a further one year up to 31 December 2019.

As disclosed in Note 4 to the consolidated financial statements, during the year ended 31 December 2018, the management of the Company had taken the following actions to improve the financial position of the Group:

- (i) The Company completed a placing of 923,361,034 shares of the Company for aggregate gross cash proceeds of HK\$100 million; and
- (ii) The Company issued Convertible Notes, GIC Convertible Bonds and Convertible Bonds for gross cash proceeds of HK\$2.5 million, HK\$100 million and HK\$18 million respectively.

Such proceeds were mainly applied for the acquisition of two handysize dry bulk vessels and general working capital of the Group.

The Directors have prepared the Cash Flow Forecast on the basis that the Group will successfully implement the plans and measures as set out in Note 4 to the consolidated financial statements and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2018.

#### **ADDITIONAL DISCLOSURE ON GOING CONCERN UNCERTAINTIES IN CORPORATE GOVERNANCE REPORT**

As mentioned in the Corporate Governance Report contained in the Annual Report, the Directors have acknowledged their responsibilities for preparing the financial statements which give true and fair view of the Group. The Directors are aware of the Group's net current liabilities of approximately HK\$1,903.7 million and net liabilities of approximately HK\$187.4 million as at 31 December 2018 as well as the Group's loss for the year amounted to approximately HK\$97.4 million and these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Further discussion on this issue has been set out in the "Management Discussion and Analysis" and "Note 4 — Principal Accounting Policies — Going concern basis" to the consolidated financial statements in the Annual Report.

Having made appropriate enquiries and examined the major areas which will give rise to the aforesaid significant financial exposures, the Directors, based on the Cash Flow Forecast which has been prepared on the basis that the Group will successfully implement the plans and measures as set out in Note 4 to the consolidated financial statements, are satisfied that the Group will have sufficient working capital to meet with its financial obligations when they fall due. In this connection, the Directors have continued to prepare the financial statements on a going concern basis for the year ended 31 December 2018 and considered that the Group has applied consistent accounting policies and made judgements and estimates that are appropriate and reasonable in accordance with the applicable accounting standards.

**The above additional information does not affect the contents of the Annual Report.**

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

Hong Kong, 28 May 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, Mr. Fu Yongyuan and Mr. Wu Jian; 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. Wong Cheuk Bun and Mr. Wong Yin Shun.*