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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: 0351)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

RESULTS

The board (the "Board") of directors (the "Directors") of Asia Energy Logistics Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, together with the comparative figures for the previous corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Notes	**For the six months ended 30 June 2015** *HK$'000* **(Unaudited)**	2014 *HK$'000* (Unaudited)
Turnover	3	**13,153**	23,334
Cost of sales		**(10,047)**	(22,635)
Gross profit		**3,106**	699
Other income, gains and (losses)	4	**42**	(8,226)
Depreciation and amortisation		**(1,416)**	(2,978)
Staff costs		**(9,544)**	(9,765)
Change in fair value of contingent consideration payable		**(17,985)**	(808)
Change in fair value of derivative component of convertible notes	12	**8,794**	—
Change in fair value of options/commitment to subscribe for convertible notes		**(94,847)**	—
Share of results of jointly controlled entity		**(3,744)**	(4,748)
Other operating expenses		**(11,722)**	(9,494)
Finance costs	6	**(54,117)**	(54,068)

	Notes	For the six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Loss before income tax	7	**(181,433)**	(89,388)
Income tax credit	8	**—**	6,578
Loss for the period		**(181,433)**	(82,810)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		**36**	(6,910)
Total comprehensive income for the period		**(181,397)**	(89,720)
Loss for the period attributable to:			
Owners of the Company		**(157,414)**	(56,840)
Non-controlling interests		**(24,019)**	(25,970)
		(181,433)	(82,810)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(157,431)**	(61,301)
Non-controlling interests		**(23,966)**	(28,419)
		(181,397)	(89,720)
Loss per share			
— basic and diluted *(HK cent per share)*	9	**(1.16)**	(0.42)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**69,460**	73,087
Intangible assets		**19,499**	19,956
Construction in progress		**2,128,025**	2,127,323
Railway construction prepayment		**11,120**	11,117
		2,228,104	2,231,483
Current assets			
Other receivables and prepayments		**50,772**	49,987
Cash and cash equivalents		**46,525**	15,653
		97,297	65,640
Current liabilities			
Trade and other payables	11	**164,055**	166,246
Bank loans and other borrowings		**491,320**	452,406
Amount due to a jointly controlled entity		**47,434**	43,734
Convertible notes	12	**9,935**	—
Amounts due to minority equity owners of subsidiaries		**9,275**	9,272
		722,019	671,658
Net current liabilities		**(624,722)**	(606,018)
Total assets less current liabilities		**1,603,382**	1,625,465
Non-current liabilities			
Bank loans		**1,056,276**	1,055,928
Contingent consideration payable		**35,821**	17,836
		1,092,097	1,073,764
Net assets		**511,285**	551,701
Capital and reserves attributable to owners of the Company			
Share capital	13	**1,579,765**	1,435,649
Reserves		**(1,205,986)**	(1,045,420)
Equity attributable to owners of the Company		**373,779**	390,229
Non-controlling interests		**137,506**	161,472
TOTAL EQUITY		**511,285**	551,701

NOTES

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The information in this interim results announcement is not audited and does not constitute statutory accounts. Certain financial information in this interim results announcement is extracted from the statutory accounts for the year ended 31 December 2014 which have been delivered to the Registrar of Companies in Hong Kong. The auditor has reported on the 2014 accounts, which include a reference to matter to which the auditor drew attention by way of emphasis without qualifying its report.

During the period, the Group incurred a loss of approximately HK$181,433,000. As at 30 June 2015, the Group had net current liabilities of approximately HK$624,722,000 and had financial liabilities comprising principally bank loans and related interest for the construction of the railway that are expected to be repaid within the twelve months from the end of the reporting period which is in excess of its current assets of approximately HK$97,297,000. 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 and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group's net current liabilities due within the next twelve months from the end of the reporting period were 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 Republic of China (the "PRC"), (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.

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"), in order to meet their financial obligations including payment of interests on bank loans, construction cost payables and other operating expenses. The Lenders 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 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 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, as disclosed under Note 12, the Group has entered into a subscription agreement with a subscriber in which, with the approval by shareholders of the Company, convertible notes in the principal amount of up to HK$40 million may be issued to the subscriber.

* *for identification purposes only*

The directors have carried out a detailed review of the cash flow of the Group and taken into account the Disposal, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 30 June 2015. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim 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 values of the assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance, Cap. 622 and the Listing Rules.

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

The accounting policies and methods of computation adopted in the 2014 annual financial statements have been applied consistently to the unaudited condensed consolidated interim financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

In the current period, the Group has adopted all the new/revised HKFRSs and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. The adoption of these new/revised HKFRSs and amendments to HKFRSs did not result in significant changes to the Group's financial statements for the current period and prior periods.

The Group has not applied the new/revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these pronouncements but is not yet in a position to state whether these pronouncements would have a material impact on its results of operations and financial position.

3. TURNOVER

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

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Charter-hire income	**13,153**	23,334

4. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on trading securities		
— Change in fair value of trading securities	**—**	(743)
— Loss on disposal of trading securities	**—**	(8,696)
	—	(9,439)
Loan interest income	**—**	274
Gain on disposal of a subsidiary	**—**	939
Gain on disposal of property, plant and equipment	**22**	—
Sundry income	**20**	—
	42	(8,226)

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 has presented the following two 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:

Six months ended 30 June 2015 (Unaudited)	**Railway construction and operations**	**Shipping and logistics**	**Total**
	HK'000	***HK'000***	***HK'000***
Segment revenue from external customers	**—**	**13,153**	**13,153**
Segment loss	**(60,435)**	**(1,135)**	**(61,570)**
Other segment information:			
Interest expenses	**(53,737)**	**—**	**(53,737)**
Depreciation of property, plant, and equipment	**(585)**	**(2,666)**	**(3,251)**
Amortisation of intangible assets	**—**	**(457)**	**(457)**
Operating lease payments	**(155)**	**—**	**(155)**
Share of results of jointly controlled entity	**—**	**(3,744)**	**(3,744)**
Additions to non-current segment assets during the period	**—**	**19**	**19**

Six months ended 30 June 2014 (Unaudited)	Railway construction and operations *HK'000*	Shipping and logistics *HK'000*	Total *HK'000*
Segment revenue from external customers	—	23,334	23,334
Segment loss	(62,568)	(6,060)	(68,628)
Other segment information:			
Interest expenses	(54,068)	—	(54,068)
Depreciation of property, plant, and equipment	(734)	(2,157)	(2,891)
Amortisation of intangible assets	—	(1,784)	(1,784)
Operating lease payments	(291)	(9,860)	(10,151)
Share of results of jointly controlled entity	—	(4,748)	(4,748)
Additions to non-current segment assets during the period	3	5,797	5,800

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

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Segment loss	**(61,570)**	(68,628)
Other income	**28**	274
Net loss on trading securities	**—**	(9,439)
Change in fair value of contingent consideration payable	**(17,985)**	(808)
Change in fair value of derivative component of convertible notes	**8,794**	—
Change in fair value of options/commitment to subscribe for convertible notes	**(94,847)**	—
Other unallocated corporate expenses	**(15,853)**	(10,787)
Condensed consolidated loss before income tax	**(181,433)**	(89,388)

	As at 30 June 2015 *HK$'000* (Unaudited)	As at 31 December 2014 *HK$'000* (Audited)
Assets		
Railway construction and operations	**2,174,061**	2,173,067
Shipping and logistics	**92,352**	91,160
Segment assets	**2,266,413**	2,264,227
Intangible assets	**1,000**	1,000
Other unallocated corporate assets	**57,988**	31,896
Condensed consolidated total assets	**2,325,401**	2,297,123
Liabilities		
Railway construction and operations	**1,705,714**	1,667,592
Shipping and logistics	**50,025**	46,181
Segment liabilities	**1,755,739**	1,713,773
Contingent consideration payable	**35,821**	17,836
Convertible notes	**9,935**	—
Other unallocated corporate liabilities	**12,621**	13,813
Condensed consolidated total liabilities	**1,814,116**	1,745,422

Geographical information

The Group's non-current assets are principally located in the People's Republic of China ("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:

	For the six months ended 30 June	
	2015 *HK$'000* **(Unaudited)**	2014 *HK$'000* (Unaudited)
Customer A	—	9,909
Customer B	—	7,428
Customer C	**13,153**	3,777
	13,153	21,114

6. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	**54,110**	54,068
Interest on convertible notes	**7**	—
	54,117	54,068

7. LOSS BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment		
— Recognised in cost of sales	**2,666**	2,157
— Recognised in administrative expenses	**959**	1,194
Amortisation of intangible assets	**457**	1,784
	4,082	5,135
Staff cost		
— Salaries, wages and other benefits	**9,394**	9,627
— Contributions to defined contribution retirement scheme	**150**	138
	9,544	9,765
Auditor's remuneration	**120**	110
Operating lease rentals in respect of		
— Land and buildings	**1,781**	1,916
— Vessels	**—**	9,860
Change in fair value of contingent consideration payable	**17,985**	808
Change in fair value of derivative component of convertible notes	**(8,794)**	—
Change in fair value of options/commitment to subscribe for convertible notes	**94,847**	—
Net exchange loss	**2**	37

8. INCOME TAX

The amount of taxation in the condensed consolidated interim statement of comprehensive income represents:

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax — Hong Kong profits tax		
— over-provision in respect of prior years	**—**	(6,578)

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong had no assessable profit for the six months ended 30 June 2015 and 2014.

No provision for the PRC enterprise income tax has been made in the condensed consolidated interim financial statements as the Group's operations in the PRC had no assessable profit for the six months ended 30 June 2015 and 2014.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$157,414,000 (six months ended 30 June 2014: approximately HK$56,840,000) and the weighted average number of 13,520,107,017 ordinary shares (six months ended 30 June 2014: 13,410,027,100 ordinary shares) in issue during the six months ended 30 June 2015.

Diluted loss per share was not presented for the six months ended 30 June 2015 and 2014 as the potential ordinary shares on exercise of share options, contingent consideration payable and convertible notes are anti-dilutive.

10. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2015 and 2014.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2015 and 2014.

11. TRADE AND OTHER PAYABLES

	At 30 June 2015 *HK$'000* **(Unaudited)**	At 31 December 2014 *HK$'000* (Audited)
Trade payables		
— current and up to 30 days	**540**	1,366
Construction cost payables	**153,291**	153,240
Other payables	**10,224**	11,640
	164,055	166,246

12. CONVERTIBLE NOTES

On 16 January 2015, the Group entered into a subscription agreement (the "Subscription Agreement") with two independent third parties, namely, Advance Opportunities Fund ("the Subscriber") and Advance Capital Partners Pte Ltd (being the authorized representative of the Subscriber) pursuant to which 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 at the issue price, being 100% of the principal amount of the convertible notes (the "Convertible Notes"). On 12 February 2015, the Company entered into a supplemental agreement (the "Supplemental Agreement") with the Subscriber and Advance Capital Partners Pte Ltd to amend certain terms and conditions of the Subscription Agreement. The Convertible Notes comprise two tranches with principal amounts of HK$60 million comprising 24 equal sub-tranches of HK$2.5 million each ("Tranche 1 Notes") and HK$40 million comprising 8 equal sub-tranches of HK$5 million each respectively.

On 2 April 2015, all the conditions precedent to the closing of the first sub-tranche of the Tranche 1 Notes were fulfilled and closing of the first sub-tranche of the Tranche 1 Notes took place on 2 April 2015 (the "Closing Date"). On the Closing Date, the Company issued Convertible Notes in an aggregate principal amount of HK$5 million to the Subscriber.

The Convertible Notes are interest bearing at 2% per annum, with a maturity date falling 36 months from the Closing Date (that is, 2 April 2018) and entitle the holder to convert them, in tranches into ordinary shares of the Company at either a fixed conversion price or floating conversion price at any time before the maturity date. The principal terms and conditions of the Subscription Agreement (as amended by the Supplemental Agreement) are set out in the Company's circular dated 13 March 2015.

The Convertible Notes issued or to be issued by the Company contain liability component and derivative components (comprising the conversion option held by the noteholder and the early redemption option held by the Company), which are classified separately on initial recognition. As the conversion option and the early redemption option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument, both the options are derivatives. At the date of issue of each tranche of the Convertible Notes, the Convertible Notes are recognised at fair value, with liability portion of the Convertible Notes measured at the present value of the future coupon payments discounted at market rate for equivalent non-convertible notes that do not have conversion option and early redemption option.

In subsequent periods, the liability component of each tranche of the Convertible Notes is carried at amortised cost using the effective interest method, until extinguished on conversion, early redemption or maturity. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

When a tranche of the Convertible Notes is converted, the carrying amount of the liability portion together with the fair value of the derivative component at the time of conversion are transferred to share capital as consideration for the shares issued. When a tranche of the Convertible Notes are redeemed, the difference between the redemption amount and the aggregate carrying amounts of both liability component and derivative component is recognised in profit or loss.

During the six months ended 30 June 2015, the Tranche 1 Notes with principal amount of HK$60,000,000 were wholly subscribed and issued to the Subscriber, of which HK$55,000,000 had been converted into ordinary shares of the Company, with remaining principal amount of the Tranche 1 Notes of HK$5,000,000 outstanding as at 30 June 2015.

In this connection, the Group incurred a loss amounting to HK$94,847,000 (2014: Nil) arising from change in fair value of options/commitment to subscribe for the Tranche 1 Notes from the date of the Subscription Agreement to the date of issuance of respective sub-tranches of the Tranche 1 Notes, being the difference between the aggregate fair values of the 24 sub-tranches of the Tranche 1 Notes of HK$154,847,000 as at the respective dates of their issuance and the principal amount of the Tranche 1 Notes of HK$60,000,000.

The movements of the liability component and derivative component of the convertible notes for the period since issuance are set out below:

	Liability component *HK'000*	**Derivative component** *HK'000*	**Total** *HK'000*
Issuance of the convertible notes	2,659	152,188	154,847
Interest expense	7	—	7
Fair value gain	—	(8,794)	(8,794)
Transfer to share capital on conversion of convertible notes *(Note 13)*	(2,442)	(133,683)	(136,125)
At 30 June 2015	224	9,711	9,935

13. SHARE CAPITAL

	At 30 June 2015		At 31 December 2014	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Issued and fully paid ordinary shares:				
At 1 January 2015/1 January 2014	**13,410,027,100**	**1,435,649**	13,410,027,100	134,100
Transfer from share premium account on 3 March 2014	**—**	**—**	—	1,301,549
Issued on the conversion of the convertible notes *(Note 12)*	**657,059,766**	**136,125**	—	—
Shares issued upon exercise of share options	**28,900,000**	**7,991**	—	—
At 30 June 2015/31 December 2014	**14,095,986,866**	**1,579,765**	13,410,027,100	1,435,649

14. CAPITAL COMMITMENTS

	At 30 June 2015	At 31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised and contracted for in respect of construction of railway:		
— Zunxiao Company	**172,834**	172,778
— Tangcheng Company	**123,832**	123,792
	296,666	296,570

These commitments were entered into by two PRC non-wholly owned subsidiaries. The Group's effective interest in Zunxiao Company and Tangcheng Company is 62.50% and 51.00% respectively as at 30 June 2015 and 31 December 2014.

15. RELATED PARTY TRANSACTIONS

The Group had entered into the following significant related party transactions during the six months ended 30 June 2015:

(a) Members of key management during the period comprised the directors only whose remuneration is set out below.

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other benefits	**2,226**	2,166
Contributions to defined contribution retirement scheme	**36**	32
	2,262	2,198

(b) Interest expenses on other borrowing of approximately HK$6,848,000 for the six months ended 30 June 2015 were charged by Golden Concord Holdings Limited ("Golden Concord") and its subsidiaries, which are beneficially owned by Mr. Zhu Gongshan, a director of certain subsidiaries of the Company. Mr. Zhu is a beneficiary of a discretionary trust which in turns owns Golden Concord and a substantial shareholder of the Company. Mr. Zhu also indirectly controls a company which is a shareholder of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group were principally engaged in the (i) railway construction and operations, and (ii) shipping and logistics businesses.

Railway Construction and Operations

The Group started its investment in railway construction and operations in July 2009 through the acquisition of 100% equity interest in Gofar Holdings Limited ("Gofar") which in turn indirectly holds a 62.5% equity interest in each of 承德遵小鐵路有限公司 (Chende Zunxiao Railway Limited*) ("Zunxiao Company") and 承德寬平鐵路有限公司 (Chende Kuanping Railway Limited*) ("Kuanping Company"), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company")(collectively referred to as the "Gofar Group"). The business scope of the Gofar Group consists of the construction and operation of a 121.7 kilometer single-track railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province, namely Tangshan City (唐山市) and Chengde City (承德市), in the People's Republic of China (the "PRC").

As disclosed in the Company's previous financial reports and announcements, the construction progress had been obstructed significantly owing to contingent circumstances even though continuous efforts had been made to expedite the construction progress.

As the prolonged delay in the completion of Zunxiao Railway and the additional funding requirement have put enormous pressure on the Group's limited financial resources, the Company had been investigating various options to minimize the potential adverse impacts on the Group's cash flow and financial positions. As announced on 14 February 2014, the Company's indirectly wholly-owned subsidiary, China Railway Logistic Holdings Limited, and 河北建設交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd*) ("Hebei Company") entered into three disposal agreements (the "Disposal Agreements") for the disposal of the Group's majority equity interests in Zunxiao Company and Kuanping Company and the entire equity interest in Tangcheng Company (the "Disposal"). The completion of the Disposal is subject to the fulfillment of the conditions as set out in the Disposal Agreements.

Both parties to the Disposal Agreements have been striving to address the issues in order to fulfill the conditions precedent to the completion of the Disposal collaboratively. Having recognized the possible delay in the completion of the Disposal, supplemental agreements to the Disposal Agreements were signed on 23 September 2014 to extend the period for fulfillment of the conditions to eighteen months after the signing of the Disposal Agreements.

During the period under review, the Gofar Group has been working strenuously in negotiating with local authorities and the railway contractors to ascertain the amount of additional land premium payable in respect of the land use rights relating to the Tangcheng section of the Zunxiao Railway (the "Tangcheng Section") and the amount of possible additional payments to the contractors in respect of the construction work already completed for the entire Zunxiao Railway. The Gofar Group has also commissioned an independent valuer in the PRC to assess and evaluate the possible amount of compensation payable to the owners of the overlaid mine around the Tangcheng Section.

As at 30 June 2015, positive progress has been made in solving the outstanding issues and the Company is optimistic that all the outstanding issues would be fully addressed in the near future.

Shipping and Logistics

The Group diversified its business into the dry bulk shipping industry by acquiring the entire interest in Ocean Jade Investments Limited ("Ocean Jade") in May 2010. Ocean Jade holds a 50% interest in a company which is a jointly controlled entity (the "JV Company", and together with its subsidiaries the "JV Group") with Waibert Navigation Company Limited ("Waibert"), a wholly-owned subsidiary of the Guangdong Province Navigation Holdings Company Limited, one of the key provincial government owned enterprise. The JV Company is principally engaged in the investments in ship assets and provision of coal shipments services.

Under the shareholder's agreement dated 1 December 2009 (as amended by a supplemental agreement also dated 1 December 2009) (collectively, the "JV Agreement") entered into between Ocean Jade, Waibert and the JV Company (collectively referred to as the "Parties"), the JV Group is mandated to acquire two Handy size Vessels and two Panamax or Supramax Vessels. The two Handsize Vessels of about 35,000 deadweight tonnage ("DWT") each were then acquired at the consideration of RMB 175 million and RMB 178.8 million on 30 April 2010 and January 2011, respectively.

Since the acquisition of the two Handysize Vessels on 30 April 2010 and 10 August 2010, respectively, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavorable market conditions. As the acquisition of the two Panamax Vessels by the JV Group will be financed by part of the proceeds from the Disposal, the Parties to the JV Group 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 fourth Vessel by the JV Group to 31 December 2016.

During the period under review, the share of loss of the JV Group was HK$3,744,000 (30 June 2014: loss of HK$4,748,000), representing a decrease of approximately 21% compared to the corresponding period of 2014.

With a view to restructuring the Group's current business and investment portfolios as well as broadening the scope of its shipping business operation, the Company has also started its own vessel owning and chartering business by the acquisition of a bulk carrier with carrying capacity of approximately 28,000 DWT, MV Tremonia, in November 2013, which was then renamed as MV Asia Energy in May 2014 upon the completion of maintenance. MV Asia Energy currently has a time-charter contract of 16 to 18 months which is expected to expire between August 2015 and October 2015. The management is currently negotiating with potential charterers aiming to sign a new time-charter contract for a period of around 2 years.

The contribution of this segment was the main source of income of the Group during the period under review.

Prospects

Railway Construction and Operations

The Group is in the process of disposing a majority part of its interests in the Zunxiao Railway so to concentrate on the development and expansion of its shipping business. Should the completion of the Disposal be materialised, the net proceeds from 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.

Shipping and Logistics

The dry bulk market has improved significantly in the last few months (Baltic Dry Index has gone up from below 600 in March 2015 to around 1000 in early August 2015). The historical low of the freight market during the first half of this year has resulted in a large amount of tonnage sold for scrap, and together with a slow down in new ships ordering the market is now reaching a more balancing situation between supply and demand. After the recent consolidation, the market is looking more sensible. And, we may expect a more healthy dry bulk market in the next few years and even a stronger one if the China economy improves slightly.

The Company will continue to explore the market of ocean-going transportation business and hence expanding its shipping business scope on top of the current dry-bulk shipment business with its relevant experience and management expertise via its own vessels and the joint-venture arrangement.

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.

Financial Review

For the period under review, the unaudited turnover of the Group was approximately HK$13,153,000 (30 June 2014: approximately HK$23,334,000), a decrease of approximately 44% compared to the corresponding period of 2014. The decrease in turnover was due to re-delivery of the chartered vessel, MV Jin Yuan, to its owner in May 2014.

The Group recorded a loss after tax for the period under review of approximately HK$181,433,000 (30 June 2014: approximately HK$82,810,000). The increase in loss for the period under review was mainly attributable to, among other factors, the change in fair value of options/commitment to subscribe for convertible notes of approximately HK$94,847,000 and the change in fair value of contingent consideration payable of approximately HK$17,985,000, which are non-cash in nature and will not have any immediate impact on the cash flows of the Group. The loss per share was HK1.16 cent (30 June 2014: HK0.42 cent).

Fund Raising Activities

On 16 January 2015, the Company entered into a subscription agreement which was supplemented and amended by a supplemental agreement dated 12 February 2015 (collectively, the "Subscription Agreement") with Advance Opportunities Fund (the "Subscriber") and its authorized representative, Advance Capital Partners Pte. Ltd ("ACP") pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the convertible notes (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.

On 30 March 2015, shareholders' approval was obtained for, among other things, the issue of the Convertible Notes and the conversion shares to be issued upon exercise of the conversion rights attached to the Convertible Notes in an aggregate principal amount of up to HK$60 million (the "Tranche 1 Notes").

Pursuant to the Subscription Agreement, the Company was granted an option (the "Option") to require the Subscriber to subscribe for the rest of the Convertible Notes in an aggregate principal amount of up to HK$40 million during the option period (being the period commencing from and including the conversion date of the last of the Convertible Notes in Tranche 1 Notes to and including the tenth business day thereafter). Should the Company decide to exercise the Option according to the Subscription Agreement, a general meeting will be convened for obtaining the shareholders' approval. The principal terms and conditions of the Subscription Agreement are set out in the Company's circular dated 13 March 2015.

During the period under review, the Tranche 1 Notes were fully issued and subscribed and approximately HK$55,800,000 (net of arrangement fee) was raised. As at 30 June 2015, Convertible Notes of a principal amount of HK$5,000,000 remained unconverted.

Subsequent to 30 June 2015, Convertible Notes in the principal amount of HK$1,500,000 were converted on 12 August 2015. As at the date of this announcement, Convertible Notes of a principal amount of HK$3,500,000 remain unconverted.

CORPORATE GOVERNANCE PRACTICES

Throughout the period of six months ended 30 June 2015, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report of Appendix 14 to the Listing Rules except for those 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 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Ms. Sun Wei, a Non-Executive Director, was absent from both the general meetings of the Company held on 30 March 2015 and 12 June 2015 due to her other business engagements. Professor Sit Fung Shuen, Victor, an Independent Non-Executive Director, was absent from the general meeting of the Company held on 30 March 2015 due to pre-arranged business engagement.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results of the Group for the six months ended 30 June 2015 have been reviewed by the audit committee of the Company, which expressed no disagreement with the accounting treatments adopted in preparation of the interim financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period under review.

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

21 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, Mr. Fung Ka Keung, David, Ms. Yu Sau Lai and Mr. Tse On Kin; the non-executive directors of the Company are Mr. Yu Baodong (Chairman) 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.