THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Energy Logistics Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

亞洲能源物流
ASIAENERGY
Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF TARGET GROUP ENGAGED IN RAILWAY BUSINESS AND NOTICE OF GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

Capitalized terms used in this cover have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 17 of this circular.

A notice convening the General Meeting to be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Monday, 11 November 2019 at 11:30 a.m. is set out on pages GM-1 to GM-2 of this circular. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's registrar, Tricor Secretaries Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the General Meeting or any adjournment thereof (as the case may be). Completion and return of proxy form will not preclude you from attending and voting in person at the General Meeting or any adjourned meeting (as the case may be) should you so wish.

25 October 2019

CONTENTS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"Agreement"	the conditional sale and purchase agreement dated 29 August 2019 entered into between, among other parties, the Vendor and the Purchaser in relation to the transfer of the Sale Share
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than Saturdays and Sundays) on which banks in Hong Kong are open for business
"Company"	Asia Energy Logistics Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 351)
"Completion"	completion of the transfer of the Sale Share in accordance with the terms of the Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration of RMB1.00 payable by the Purchaser to the Vendor for the transfer of the Sale Share pursuant to the terms of the Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	transfer of the Sale Share by the Vendor to the Purchaser pursuant to the Agreement
"GCHL"	Golden Concord Holdings Limited, a company incorporated in Hong Kong with limited liability which is beneficially wholly-owned by Mr. Zhu
"General Meeting"	the general meeting of the Company to be convened to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Wong Yin Shun
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders, other than Mr. Zhu and its associates
"Independent Valuer"	Roma Appraisals Limited
"Kuanping Company"	承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*), a company established in the PRC with limited liability and 62.5% equity interest of which was owned by the Vendor as at the Latest Practicable Date
"Latest Practicable Date"	22 October 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhu"	Mr. Zhu Gongshan, a director of the Target Company and is interested in approximately in 4.59% of all the issued Shares of the Company as at the Latest Practicable Date, and thus a connected person of the Company
"Possible Restructuring Announcement"	the announcement of the Company dated 30 January 2019 in relation to, among other things, the possible restructuring of the Railway Companies
"PRC" or "China"	The People's Republic of China and for the purpose of this circular, exclude Hong Kong, the Macau Special Administration Region and Taiwan
"Purchaser"	Falcon Power Holdings Limited, an investment holding company and a wholly-owned subsidiary of GCHL

"Railway Companies"	the three PRC subsidiaries of the Target Company namely Kuanping Company, Zunxiao Company and Tangcheng Company
"Remaining Group"	the Group immediately after the Completion
"RMB"	Renminbi, the lawful currency in the PRC
"Sale Share"	the 100% equity interest in the Target Company to be transferred by the Vendor to the Purchaser pursuant to the Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
"Share(s)"	the issued share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Consolidation"	the consolidation of every five (5) then existing Shares into one (1) consolidated Share which came into effect from 19 August 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under Rule 1.01 of the Listing Rules
"Tangcheng Company"	唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*), a company established in the PRC with limited liability and 51% equity interest of which was owned by the Vendor as at the Latest Practicable Date
"Target Company" or "China Railway Group"	China Railway Logistic Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Top Fast Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Zunxiao Company"	承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*), a company established in the PRC with limited liability and 62.5% equity interest of which was owned by the Vendor as at the Latest Practicable Date

"Zunxiao Railway"	a railway of approximately 121.7 kilometers being constructed by the Railway Companies connecting Tangshan City (唐 山 市) and Chengde City (承德市), Hebei Province (河北省), the PRC
"%"	per cent.

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK$ at the rate of RMB1 = HK$1.11. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate or at all.

* *For identification purposes only*

亞洲能源物流
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Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

Executive Directors:
Mr. Liang Jun
Mr. Fu Yongyuan
Mr. Wu Jian

Non-Executive Director:
Mr. Yu Baodong *(Chairman)*

Independent Non-Executive Directors:
Mr. Chan Chi Yuen
Mr. Wong Cheuk Bun
Mr. Wong Yin Shun

Registered Office:
Room 2404, 24/F
Wing On Centre
111 Connaught Road Central
Hong Kong

25 October 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF TARGET GROUP ENGAGED IN RAILWAY BUSINESS AND NOTICE OF GENERAL MEETING

INTRODUCTION

Reference is made to the Possible Restructuring Announcement and the announcements of the Company dated 11 June 2019 in relation to the memorandum of understanding regarding restructuring of equity interest which may involve a very substantial disposal and 29 August 2019 in relation to the Disposal.

On 29 August 2019 (after trading hours), among other parties, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (a connected person of the Company within the meaning of the Listing Rules) entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, at the Consideration of RMB1.00 payable by the Purchaser to the Vendor on Completion in accordance with the terms and conditions of the Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreement and the proposed Disposal contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the General Meeting; and (v) further information required to be disclosed under the Listing Rules.

THE AGREEMENT

Set out below are the principal terms of the Agreement.

Date

29 August 2019 (after trading hours)

Parties

(i)	Vendor:	Top Fast Holdings Limited, an indirect wholly-owned subsidiary of the Company
(ii)	Purchaser:	Falcon Power Holdings Limited, an investment holding company and a wholly-owned subsidiary of GCHL, which is in turn wholly-owned by Mr. Zhu
(iii)	Guarantors:	The Company as the guarantor to the Vendor; and GCHL as the guarantor to the Purchaser

Assets to be disposed of

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share.

Consideration

The Consideration for the Sale Share is RMB1.00, which was determined after arm's length negotiations between the Purchaser and the Vendor. The Consideration shall be payable in cash by the Purchaser to the Vendor at Completion.

Basis of Consideration

The Company has taken into account of, among others, the following factors when determining the Consideration:

(i) the unaudited consolidated net liabilities of the Target Group in the amount of approximately HK$651.5 million as at 30 June 2019;

(ii) the outstanding bank loans of the Target Group (the "**Bank Loans**") in the principal amount of RMB778.0 million as at 30 June 2019 (equivalent to approximately HK$863.6 million), which will become due and payable by 31 December 2019;

(iii) the outstanding loan in the aggregate amount of approximately RMB668.2 million (equivalent to approximately HK$741.7 million) (the "**GCHL Loans**") due to GCHL by the Target Group as at 30 June 2019 which is repayable on demand and is subject to annual renewal by GCHL. The Group is required to negotiate with GCHL for the renewal of such loan and the result of which is currently uncertain;

(iv) the annual finance costs in respect of the Bank Loans and the GCHL Loans, respectively;

(v) the uncertainty as to the timetable for the resumption of the construction of the Zunxiao Railway and the determination of the amount of compensation which may be payable by the Company to the owner of the overlaid mines (collectively the "**Overlaid Mine**") where the Tangshan section (phase two) (遵小鐵路唐山段二期) of Zunxiao Railway will pass through and be constructed, due to the fact that the negotiations with the owner of the Overlaid Mine has been fairly difficult, whereas the local government authorities have been urging for early resumption of the construction of Zunxiao Railway; and

(vi) based on an independent project engineering report (the "**Project Engineering Report**") commissioned by the Company and issued in September 2018 in respect of the Zunxiao Railway as mentioned in the Company's Possible Restructuring Announcement, it is estimated that substantial contribution towards further capital commitment of about RMB417 million (equivalent to approximately HK$462.9 million) will be required for the Target Group to achieve full completion of the construction of the Zunxiao Railway.

In view of the above, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion shall be subject to the fulfilment of the following conditions:

(i) the Company having obtained the Shareholders' (or Independent Shareholders') approval for the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;

(ii) the approval from the Stock Exchange for the transactions contemplated under the Agreement; and

(iii) (where necessary) the parties to the Agreement having obtained all approvals, authorisations, consents from and completed all registrations and filings with the competent governmental or regulatory authorities (including but not limited to the Stock Exchange and other such authorities in the PRC and Hong Kong) (if applicable).

In accordance with the terms of the Agreement, the Purchaser may at its discretion and upon giving a notice in writing to the Vendor waive condition precedent (iii). In other words, conditions precedent (i) and (ii) above cannot be waived by any party to the Agreement and must be satisfied for the Completion to take place. If the conditions precedent set out above are not satisfied within 180 days from the date of the Agreement, the Agreement shall terminate and cease to have effect (save and except certain clauses as stated in the Agreement which shall continue to have full force and effect) and thereafter, none of the parties to the Agreement shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save as the condition precedent (ii), none of the above conditions precedent has been satisfied.

Completion

The Completion shall take place on the seventh (7th) Business Day after the conditions precedent as mentioned above is/are fulfilled (or waived, as the case may be) (or such later date as may be agreed in writing between the Vendor and the Purchaser). Upon Completion, members of the Target Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Target Company held 62.5%, 62.5% and 51% of the equity interests in Zunxiao Company, Kuanping Company and Tangcheng Company, respectively. The Target Group is principally engaged in the construction of the Zunxiao Railway and it will operate the railway upon completion of the construction. The Zunxiao Railway is a single-track railway with a planned total length of approximately 121.7 kilometers and 12 stations connecting two major municipalities, namely Tangshan City (唐山市) and Chengde City (承德市), in the Hebei Province (河北省), the PRC. Zunxiao Railway comprises three sections namely:

- Pingquan section (平泉段), which was being constructed and operated by Kuanping Company;
- Kuancheng section (寬城段), which was being constructed and operated by Zunxiao Company; and

- Tangshan section (唐山段), which was being constructed and operated by Tangcheng Company,

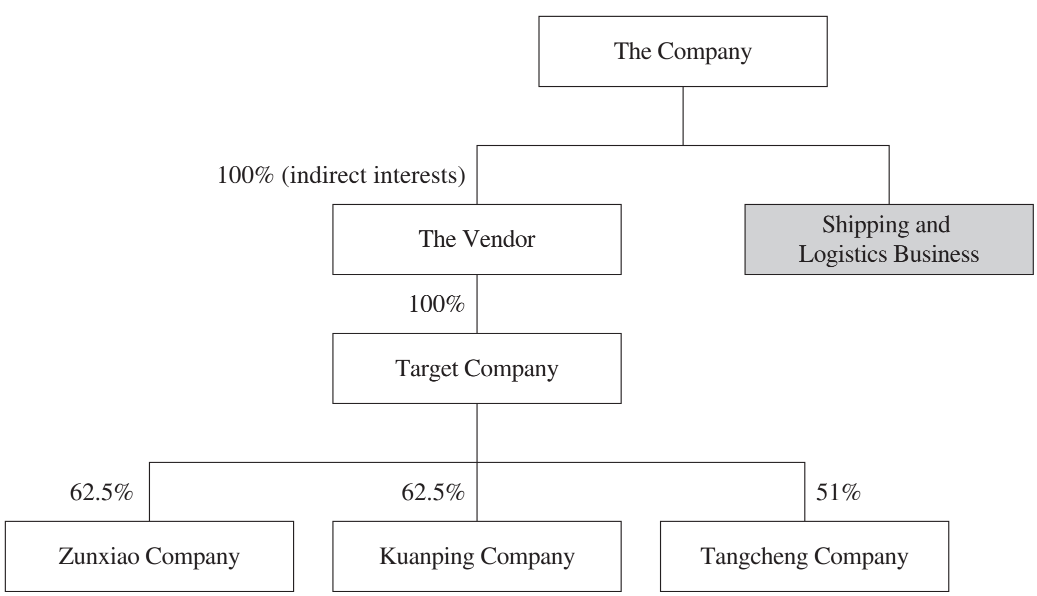
and each of Pingquan section, Kuancheng section and Tangshan section of the Zunxiao Railway is further divided into sub-sections with intervening stations.

As disclosed in the Possible Restructuring Announcement, on 29 January 2019, the Board received a report from the Target Company enclosing a copy of an urgent letter of request (the "**Letter of Request**") jointly issued by the Railway Companies requesting the Target Company to pay in February 2019 the proportional contribution to the anticipated increase of the respective registered capital of the Railway Companies in an aggregate amount of RMB417 million.

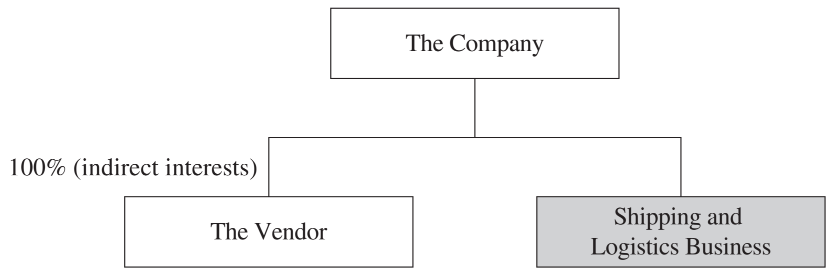
Since the acquisition of the Zunxiao Railway and up to the Latest Practicable Date, no revenue has ever been generated from the Zunxiao Railway. It is uncertain as to whether and when the construction of the Zunxiao Railway will be completed and when the Zunxiao Railway can commence operation. There is no timetable as to when revenue will be generated from the Zunxiao Railway.

Corporate structure of the Target Group

Set out below is the simplified shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is the simplified shareholding structure of the Remaining Group immediately after the Completion:



Financial information of the Target Group

According to the unaudited consolidated financial information of the Target Group as set out in Appendix II to this circular, the auditor of the Company (the "**Auditor**") did not express a conclusion and therefore issued a disclaimer of opinion on the unaudited consolidated financial information of the Target Group for the three years ended 31 December 2018 and the six months ended 30 June 2019. Set out below is the summary of key consolidated financial information of the Target Company for each of the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December		**For the six months ended 30 June**
	2017	**2018**	**2019**
	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Loss before taxation	77,518	72,099	29,508
Net loss after taxation	77,518	72,099	29,508
Net liabilities	561,972	623,147	651,463

According to the valuation report of the Target Group, the valuation of the Target Group as at 30 June 2019 was reasonably stated as no economic value. For details, please refer to the valuation report of the Target Group as set out in the Appendix V of this circular.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of GCHL. GCHL, wholly-owned by Mr. Zhu, is an integrated energy group that specializes in clean and new energy. GCHL is China's largest non-state-owned green energy holdings company and the world's largest photovoltaic material manufacturer. As at the Latest Practicable Date, save for (i) GCHL being a creditor of the Target Group; (ii) GCHL's provision of guarantee on the Target Group's bank loans; (iii) Mr. Zhu being the director of the Target Company; (iv) Mr. Zhu's shareholding interest of approximately 4.59% of all issued Shares as at the Latest Practicable Date; (v) Mr. Zhu being the controlling shareholder (within the meaning of the Listing Rules) of GCHL; and (vi) Mr. Zhu being an executive director and a substantial shareholder of GCL-Poly Energy Holdings Limited, a public limited liability company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Stock Code: 3800), which indirectly wholly owns the issued share capital of the bondholder of the convertible bonds in the aggregate principal amount of HK$100 million issued by the Company on 2 March 2018, Mr. Zhu has no other business relationship with the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and the Group is principally engaged in (i) shipping and logistics businesses including the provision of shipping services, logistics services and vessel chartering services, and (ii) the construction and operation of Zunxiao Railway.

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, mainly due to the stagnant negotiations with the owner of the Overlaid Mine, who demanded an unfounded substantial amount of compensation, the construction was suspended since 2013. Despite the effort of the Group to negotiate with the owner of the Overlaid Mine, no consensus on the amount of the compensation has been reached between the Group and the owner of the Overlaid Mine as at the Latest Practicable Date. As such, the construction of the Zunxiao Railway has been suspended and additional resources have been required to cover the additional costs attributable to the delay in construction which are currently financed by capital contributions from the shareholders of Zunxiao Company, Kuanping Company and Tangcheng Company, the GCHL Loans and the Bank Loans. As at 30 June 2019, the Target Group had outstanding Bank Loans guaranteed by GCHL with an aggregate principal amount of approximately RMB778.0 million (equivalent to approximately HK$863.6 million) which is due by 31 December 2019. The Company has provided a counter-guarantee (the "**Counter-Guarantee**") to indemnify GCHL to the extent of the equity interest held by the Group in the Railway Companies and the corresponding share mortgage, equity and asset pledges. Pursuant to the Agreement, the Counter-Guarantee will be released upon Completion. The Target Group also had the outstanding GCHL Loans with an aggregate principal amount of approximately RMB668.2 million (equivalent to approximately HK$741.7 million). The GCHL Loans were granted by GCHL, which were unsecured, repayable within one year or on demand and thus is subject to annual renewal. As at the Latest Practicable Date, the Company has yet to commence the negotiation of the renewal of GCHL Loans. In view of the Group's current financial position and the unfavourable macro-economic environment, the Directors considered that the result of renewal of the GCHL Loans is subject to GCHL's approval. As a result, the Target Group has an imminent need of funding in order to repay the borrowings if their respective terms are not extended or renewed when the respective outstanding loans and interests incurred thereon become due.

As disclosed in the Possible Restructuring Announcement, the Board received a report from the Target Company enclosing a copy of the letter jointly issued by the Railway Companies on an urgent basis requesting the Target Company to contribute additional capital to the Railway Companies in an aggregate amount of RMB417 million (equivalent to approximately HK$462.9 million) (the "**Additional Contribution**") in February 2019. The Additional Contribution was calculated with reference to the investment estimate in the Project Engineering Report prepared by an independent professional engineering consulting firm in respect of Zunxiao Railway. According to the Project Engineering Report, the Additional Contribution was estimated with reference to the expected costs and expenses, including the construction of embankment and tracks, the repair and maintenance of constructed facilities, and other capital expenditures mainly related to construction costs including electrical and signaling system, station buildings, junctions construction and design and supervision fee (excluding the compensation sought by the owner of the Overlaid Mine). In addition, the relevant governmental bureaus at the city and county levels and the minority shareholders of the Railway Companies have been urging the Railway Companies to resume substantive construction of Zunxiao Railway to meet the expected transportation demand of the steel plants and mining enterprise along Zunxiao Railway. Accordingly, in order to resume substantive construction of Zunxiao Railway towards completion and to satisfy the costs and expenses incurred and required to be incurred in relation thereto including repayment of the construction loan obtained for Zunxiao Railway, the Group is in urgent financial need in response to the requested contribution to their respective registered capital from the Target Company. The Group has not provided any undertaking, guarantee or otherwise in any form in connection with the Additional Contribution, and the Group will not have any outstanding obligation in relation to the Additional Contribution after the Completion.

In view of the Group's current funding level and financial position, the Group does not have sufficient internal resources to cope with the funding need for the resumption of construction of the Zunxiao Railway. Before entering into the Agreement with the Purchaser, the Company has had negotiations with independent prospective investors on the possible acquisition of a majority stake of the Railway Companies since September 2018. However, after several rounds of discussions on principal terms (including consideration and debt responsibility) among the parties, none of the prospective investors expressed their interests in acquiring the Target Group. In the end, the Company expressed its intention to divest the Target Group to GCHL which indicated its interest in the Target Group. Taking into account (i) the current financial position and tight liquidity of the Target Group; (ii) no prospective investors had made any offers; (iii) only GCHL is willing to take up the full responsibility of all financial liabilities on the books of the Target Group as well as other potential claims including the compensation sought by the owner of the Overlaid Mine; (iv) the Counter-Guarantee will be released upon Completion, as such the Company will not be obliged to provide such guarantee to GCHL;

and (v) the Disposal will involve a shorter negotiation process as Mr. Zhu, being one of the directors of the Target Company, has been involved in the management of the Target Group and has had knowledge on the status of the Zunxiao Railway, the Company is of the view that the Disposal is the most viable option for the Company in salvaging the Group from the financial pressure resulted from the Zunxiao Railway.

Upon Completion, (i) the Bank Loans; (ii) the GCHL Loans; and (iii) all costs, expenses, and liabilities of the Target Group will be fully transferred to the Purchaser and the Counter-Guarantee will be released. Accordingly, the Disposal, if completed, will significantly improve the financial position of the Company by reducing its liabilities, relieving substantial finance costs and improving gearing position and enabling the Remaining Group to place and focus its resources towards its shipping and logistics business which is expected to achieve and deliver better economic value to the Remaining Group. On such basis, the Directors consider that the terms of the Disposal are fair and reasonable and the terms of the Agreement and the transactions contemplated thereunder are in the best interests of the Company and the Shareholders as a whole.

THE BUSINESS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will be principally engaged in the shipping and logistics business. In May 2010, the Group diversified its business into the dry bulk shipping industry through a jointly controlled entity (the "**JV Company**") with Waibert Navigation Company Limited, a wholly-owned subsidiary of the Guangdong Province Navigation Holdings Company Limited, one of the key government owned enterprises in the province. The JV Company acquired two Handysize vessels of 35,000 deadweight tonnage ("**DWT**") each in late 2010, which have been operating in the China domestic shipping market.

Apart from the JV Company, the Company acquired a Handysize bulk carrier with carrying capacity of approximately 28,000 DWT in November 2013, which currently named MV Asia Energy to expand its business into international shipping market. In early 2018, leveraging on the Group's relevant experience and expertise in the shipping and logistics business and taking into account of the improving performance of its shipping and logistics segment and the recovery of the international shipping market, the Group seized the opportunity to expand its international dry bulk business and acquired two additional Handysize bulk carriers, namely MV Clipper Selo and MV Clipper Panorama. For the six months ended 30 June 2019, MV Clipper Panorama has been under full employment throughout the period under review, whilst MV Clipper Selo and MV Asia Energy were also under full employment except for a short period of dry-docking. Pursuant to the existing contract of MV Asia Energy, MV Clipper Selo and MV Clipper Panorama, the charter hire and related charges are US$6,300 per day, US$8,350 per day and US$8,350 per day, respectively. As a result of the expansion of the Group's fleet of vessels, the Group's financial performance on the shipping and logistics business has been satisfactory and it has made positive contributions to the Group.

According to the Company's annual reports for the years ended 31 December 2017 and 2018 and the interim report for the six months ended 30 June 2019, the shipping and logistics segment contributed revenue of approximately HK$15.8 million, HK$50.7 million and HK$30.1 million for the years ended 31 December 2017 and 2018 and for the six months ended 30 June 2019, respectively. The segment assets of the shipping and logistics business as at 31 December 2017 and 2018 and 30 June 2019 were approximately HK$43.9 million, HK$224.0 million and HK$227.4 million, respectively.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, members of the Target Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

Assets and liabilities

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the effect of the Completion on the assets and liabilities of the Group, assuming the Disposal had taken place on 30 June 2019.

As set out in the unaudited pro forma consolidated statement of financial position of the Remaining Group in Appendix III to this circular, (i) the total assets of the Remaining Group will decrease by approximately HK$1,603.7 million; and (ii) the total liabilities of the Remaining Group will decrease by approximately HK$1,788.5 million, assuming that the completion of the Disposal had taken place as at 30 June 2019. The decrease in total assets was mainly due to the derecognition of construction in progress and railway construction prepayment whilst the decrease in total liabilities was mainly due to the derecognition of the Bank Loans and the GCHL Loans. Accordingly, the pro forma equity attributable to owners of the Remaining Group as at 30 June 2019 would have decreased from approximately HK$95.3 million to approximately HK$50.3 million assuming that the Completion had taken place as at 30 June 2019.

Earnings

Since the Target Group has been loss-making, it is expected that the earnings of the Remaining Group will increase due to the deconsolidation of the net liabilities of the Target Group after the Completion. It is expected that the Group will record a gain of approximately HK$45.0 million from the Disposal assuming the Disposal had completed on 30 June 2019, the details of which are set out as follows:

	HK$'000
Consideration (RMB1.00, equivalent to HK$1.11)	—
Less:	
Estimated professional fees in relation to the Disposal	(3,000)
Shareholder loan due from the Target Group to be waived	(463,719)
	(466,719)
Add: Net liabilities of the Target Group attributable to equity shareholders of the Company as at 30 June 2019	511,710
Estimated gain on the Disposal as at 30 June 2019	44,991

Shareholders and potential investors of the Company should note that the actual amount of gain on the Disposal should be calculated on the basis of the relevant figures as at the date of the Completion and therefore would or would not be different from the abovementioned.

The Company intends to use the proceeds from the Disposal for working capital of the Group.

Reference is made to the annual report of the Company for the year ended 31 December 2018, the Auditor has expressed a disclaimer of opinion (the "**Audit Qualification**") on the audited consolidated financial statements of the Group for the year ended 31 December 2018. The Audit Qualification was mainly as a result of (i) the impairment of non-current assets of the Target Group; and (ii) the material uncertainty related to going concern due to the significant net liabilities position of the Group.

The Board is of the opinion that assuming the Disposal has been completed before 31 December 2019 such that the Target Group's assets and liabilities will be derecognised from the Group and the net liabilities position of the Group will be significantly improved, the Audit Qualification is expected to be removed, subject to the audit result of the Group as at 31 December 2019.

IMPLICATIONS UNDER THE LISTING RULES

Very substantial disposal

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is above 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected transaction

The Purchaser is an indirect wholly-owned subsidiary of GCHL, which is in turn beneficially wholly-owned by Mr. Zhu. As at the Latest Practicable Date, Mr. Zhu is a director of various subsidiaries (including the Target Company) of the Company and interested in approximately 4.59% of all the issued Shares of the Company. Accordingly, the Purchaser is an associate of Mr. Zhu and a connected person of the Company under the Listing Rules. The entering into of the Agreement and the transactions contemplated thereunder thus constitute connected transactions of the Company and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Zhu and his associates are required to abstain from voting on the resolution(s) in respect of the Agreement and the transactions contemplated thereunder at the General Meeting.

GENERAL MEETING

The General Meeting will be convened for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. As Mr. Zhu has a material interest in the transactions contemplated in the Agreement, he and his associates are required to abstain from voting on the resolution(s) in respect of the Agreement and the transactions contemplated thereunder at the General Meeting. Except for Mr. Zhu and his associates, no Shareholder is required to abstain from voting on the resolution(s) in respect of the Agreement and the transactions contemplated thereunder at the General Meeting. A notice convening the General Meeting to be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong at 11:30 a.m. on Monday, 11 November 2019 is set out on pages GM-1 to GM-2 of this circular.

A form of proxy for use at the General Meeting is enclosed with this circular. Whether or not you intend to attend the General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Wong Yin Shun, all being the independent non-executive Directors, has been established by the Company to provide recommendations to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

Lego Corporate Finance Limited has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of Lego Corporate Finance Limited, consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its advice to the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder, the letter from the Independent Financial Adviser set out on pages 20 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder and the principal factors and reasons taken into consideration in arriving at its advice, and the additional information contained in the appendices to this circular.

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

亞洲能源物流
ASIAENERGY
Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

25 October 2019

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF TARGET GROUP ENGAGED IN RAILWAY BUSINESS AND NOTICE OF GENERAL MEETING

We refer to the circular issued by the Company to Shareholders dated 25 October 2019 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

Lego Corporate Finance Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out from pages 20 to 37 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular. Having considered the terms of the Agreement and the advice of the Independent Financial Adviser, we are of the opinion that the Agreement and the transactions contemplated thereunder on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. We also consider that the Disposal is not in the ordinary and usual course of business of the Group. We therefore recommend that the Independent Shareholders vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Chan Chi Yuen	**Mr. Wong Cheuk Bun**	**Mr. Wong Yin Shun**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders, in respect of the Disposal and the terms of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

25 October 2019

To the independent Board Committee and the Independent Shareholders of
Asia Energy Logistics Group Limited

Dear Sirs or Madams,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO PROPOSED DISPOSAL OF TARGET GROUP ENGAGED IN RAILWAY BUSINESS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 25 October 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 29 August 2019 (after trading hours), among other parties, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (a connected person of the Company within the meaning of the Listing Rules) entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, at the nominal Consideration of RMB1.00 payable by the Purchaser to the Vendor on Completion in accordance with the terms and conditions of the Agreement.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is above 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is an indirect wholly-owned subsidiary of GCHL, which is in turn beneficially wholly-owned by Mr. Zhu. As at the Latest Practicable Date, Mr. Zhu is a director of various subsidiaries (including the Target Company) of the Company and interested in approximately 4.59% of all the issued Shares of the Company. Accordingly, the Purchaser is an associate of Mr. Zhu and a connected person of the Company under the Listing Rules. The entering into of the Agreement and the transactions contemplated thereunder thus constitute connected transactions of the Company and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Zhu and his associates are required to abstain from voting on the resolution(s) in respect of the Agreement and the transactions contemplated thereunder at the General Meeting. Except for Mr. Zhu and his associates, no Shareholder is required to abstain from voting on the resolution(s) in respect of the Agreement and the transactions contemplated thereunder at the General Meeting.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Wong Yin Shun, has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the General Meeting to approve the Disposal and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, we have (i) been appointed as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a connected transaction regarding a connected transaction in relation to proposed amendments to terms and conditions of convertible bonds issued to a connected person under specific mandate (details of which were set out in the circular of the Company dated 25 October 2019; and (ii) acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a connected transaction regarding a subscription of convertible bonds by a connected person of the Company under specific mandate (details of which were set out in the circular of the Company dated 5 January 2018). Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Disposal and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the General Meeting and all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the General Meeting.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Disposal and the Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background information of the Group

1.1 Information on the Group

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

The following table summarises the financial information of the Group for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**") and the interim report of the Company for the six months ended 30 June 2019 (the "**2019 Interim Report**").

	For the year ended 31 December		**For the six months ended 30 June**	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	15,797	50,669	18,826	30,059
Gross profit	903	11,496	4,932	5,214
Loss for the year/ period	97,403	168,775	56,615	48,829

	As at 31 December		**As at 30 June**
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Bank balances and cash	5,968	18,456	8,465
Total assets	1,768,174	1,869,156	1,840,170
Bank and other borrowings	1,657,275	1,647,783	1,660,005
Total liabilities	1,960,196	2,056,550	2,075,201
Net liabilities	(192,022)	(187,394)	(235,031)

For the years ended 31 December 2017 and 2018

The revenue of the Group amounted to approximately HK$15.8 million and HK$50.7 million for the year ended 31 December 2017 and 2018, respectively, representing an increase of approximately HK$34.9 million or 220.9%. The gross profit of the Group amounted to approximately HK$0.9 million and HK$11.5 million for the year ended 31 December 2017 and 2018, respectively, representing an increase of approximately HK$10.6 million or 1,177.8%. According to the 2018 Annual Report, the increase in revenue and gross profit was due to increase in charter rate and the additional contribution made by the two newly acquired vessels immediately after their deliveries.

The loss after tax for the year ended 31 December 2018 was approximately HK$168.8 million, representing an increase of approximately 73.3% compared with the loss after tax of approximately HK$97.4 million for the year ended 31 December 2017.

As disclosed in the 2018 Annual Report, the increase in loss for the year ended 31 December 2018 as compared to the loss for the year ended 31 December 2017 was mainly attributable to (i) the increase in share based payment resulted from the grant of share options under the Company's share option scheme amounting to approximately HK$20.9 million for the year ended 31 December 2018 as compared to nil for the year ended 31 December 2017; (ii) the increase in the share of loss of a joint venture of approximately HK$24.8 million for the year ended 31 December 2018 as compared to a share of profit of approximately HK$9.7 million for the year ended 31 December 2017; (iii) the adverse fair value change of derivative financial instruments based on the valuation of the Convertible Bonds issued by the Company of approximately HK$12.9 million for the year ended 31 December 2018 as compared to nil for the year ended 31 December 2017; and (iv) the increase in finance costs incurred for the Group's operations by approximately HK$11.2 million, from approximately HK$61.4 million for the year ended 31 December 2017 to approximately HK$72.6 million for the year ended 31 December 2018.

As at 31 December 2018, the total asset of the Group amounted to approximately HK$1.9 billion, which comprised mainly the construction in progress in relation to the Target Group of approximately HK$1.6 billion. Meanwhile, bank balances and cash as at 31 December 2018 amounted to approximately HK$18.5 million.

As at 31 December 2018, total liabilities of the Group amounted to approximately HK$2.1 billion, of which bank and other borrowings amounted to HK$1.6 billion, trade and other payables amounted to approximately HK$154.7 million and amount due to a joint venture amounted to approximately HK$143.4 million.

For the six months ended 30 June 2018 and 2019

The revenue of the Group amounted to approximately HK$18.8 million and HK$30.1 million for the six months ended 30 June 2018 and 2019, respectively, representing an increase of approximately HK$11.3 million or 60.1%. The gross profit of the Group amounted to approximately HK$4.9 million and HK$5.2 million for the six months ended 30 June 2018 and 2019, respectively, representing an increase of approximately HK$0.3 million or 6.1%. According to the 2019 Interim Report, the increase in revenue and gross profit was due to increase in carrying capacity by the acquisition of two Handysize vessels in April 2018.

The loss after tax for the six months ended 30 June 2019 was approximately HK$48.8 million, representing a decrease of approximately 13.8% compared with the loss after tax of approximately HK$56.6 million for the six months ended 30 June 2018. As disclosed in the 2019 Interim Report, the decrease in loss for the six months ended 30 June 2019 as compared to the loss for the six months ended 30 June 2018 was mainly attributable to the decrease in staff costs, finance costs and other operating expenses.

As at 30 June 2019, the total asset of the Group amounted to approximately HK$1.8 billion, which comprised mainly the construction in progress in relation to the Target Group of approximately HK$1.6 billion. Meanwhile, bank balances and cash as at 31 December 2018 amounted to approximately HK$8.5 million.

As at 30 June 2019, total liabilities of the Group amounted to approximately HK$2.1 billion, of which bank and other borrowings amounted to HK$1.7 billion, trade and other payables amounted to approximately HK$150.6 million and amount due to a joint venture amounted to approximately HK$147.2 million.

2. Background information of the Target Group

The Target Company is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

2.1 Principal activities

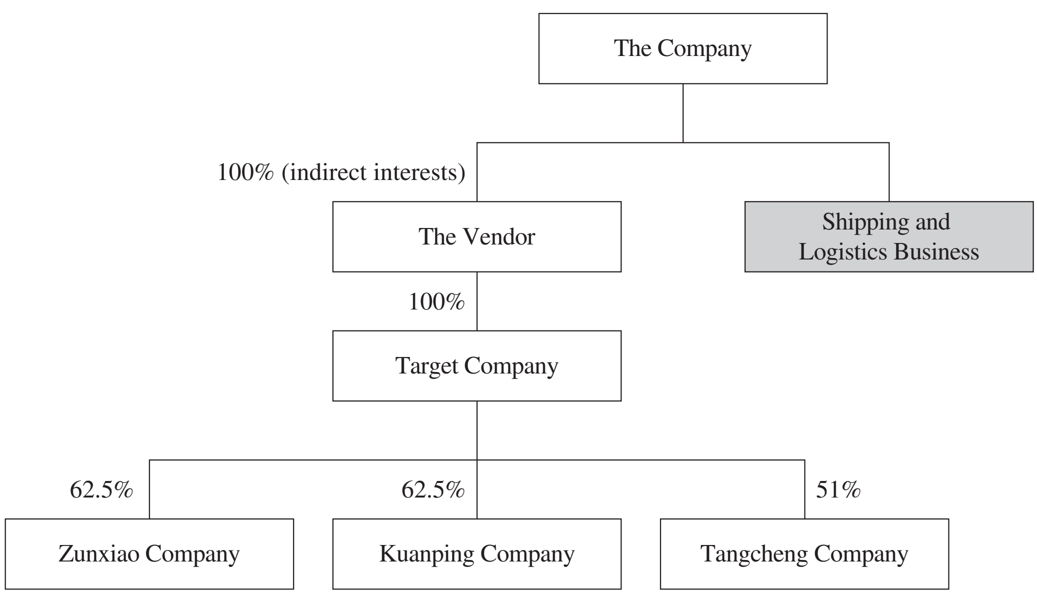
The Target Company is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Target Company held 62.5%, 62.5% and 51% of the equity interests in Zunxiao Company, Kuanping Company and Tangcheng Company, respectively. The Target Group is principally engaged in the construction of the Zunxiao Railway and it will operate the railway upon completion of the construction. The Zunxiao Railway is a single-track railway with a planned total length of approximately 121.7 kilometers and 12 stations connecting two major municipalities, namely Tangshan City (唐山市) and Chengde City (承德市), in the Hebei Province (河北省), the PRC. Zunxiao Railway comprises three sections namely:

- Pingquan section (平泉段), which was being constructed and operated by Kuanping Company;
- Kuancheng section (寬城段), which was being constructed and operated by Zunxiao Company; and
- Tangshan section (唐山段), which was being constructed and operated by Tangcheng Company,

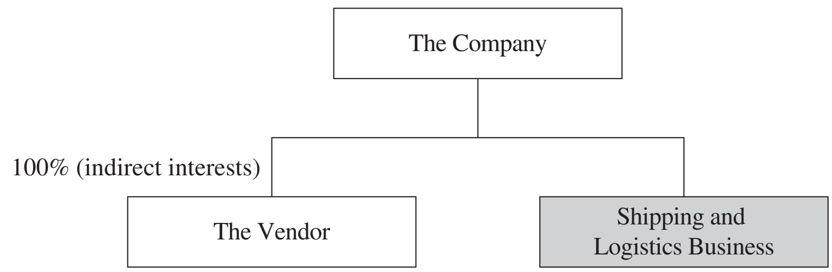
and each of Pingquan section, Kuancheng section and Tangshan section of the Zunxiao Railway is further divided into sub-sections with intervening stations.

2.2 Corporate structure of the Target Group

Set out below is the simplified shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is the simplified shareholding structure of the Remaining Group immediately after the Completion:



2.3 Financial information of the Target Group

Set out below is the summary of key consolidated financial information of the Target Company for each of the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December		**For the six months ended 30 June**
	2017	**2018**	**2019**
	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Loss before taxation	77,518	72,099	29,508
Net loss after taxation	77,518	72,099	29,508
Net liabilities	561,972	623,147	651,463

According to the valuation report of the Target Group, the valuation of the Target Group as at 30 June 2019 was reasonably stated as no economic value. For details, please refer to the valuation report of the Target Group as set out in the Appendix V of this circular.

3. Information on the Purchaser

Falcon Power Holdings Limited, the Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of GCHL. GCHL, wholly-owned by Mr. Zhu, is an integrated energy group that specializes in clean and new energy. GCHL is China's largest non-state-owned green energy holdings company and the world's largest photovoltaic material manufacturer. As at the Latest Practicable Date, save for (i) GCHL being a creditor of the Target Group; (ii) GCHL's provision of guarantee on the Target Group's bank loans; (iii) Mr. Zhu being the director of the Target Company; (iv) Mr. Zhu's shareholding interest of approximately 4.59% of all issued Shares as at the Latest Practicable Date; (v) Mr. Zhu being the controlling shareholder (within the meaning of the Listing Rules) of GCHL; and (vi) Mr. Zhu being an executive director and a substantial shareholder of GCL-Poly Energy Holdings Limited, a public limited liability company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Stock Code: 3800), which indirectly wholly owns the issued share capital of the bondholder of the convertible bonds in the aggregate principal amount of HK$100 million issued by the Company on 2 March 2018, Mr. Zhu has no other business relationship with the Group.

4. Reasons for and benefits of the Disposal

Financial performance and position of the Target Group

As mentioned above, the Group is principally engaged in (i) shipping and logistics businesses including the provision of shipping services, logistics services and vessel chartering services, and (ii) the construction and operation of Zunxiao Railway.

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, mainly due to the stagnant negotiations with the owner of the Overlaid Mine, who demanded an unfounded substantial amount of compensation, the construction was suspended since 2013. Despite the effort of the Group to negotiate with the owner of the Overlaid Mine, no consensus on the amount of the compensation has been reached between the Group and the owner of the Overlaid Mine as at the Latest Practicable Date. As such, the construction of the Zunxiao Railway has been suspended and additional resources have been required to cover the additional costs attributable to the delay in construction which are currently financed by capital contributions from the shareholders of Zunxiao Company, Kuanping Company and Tangcheng Company, the GCHL Loans and the Bank Loans. As at 30 June 2019, the Target Group had outstanding Bank Loans guaranteed by GCHL with an aggregate principal amount of approximately RMB778.0 million (equivalent to approximately HK$863.6 million) which is due by 31 December 2019. The Company has provided the Counter-Guarantee to indemnify GCHL to the extent of the equity interest held by the Group in the Railway Companies and the corresponding share mortgage, equity and asset pledges. Pursuant to the Agreement, the Counter-Guarantee will be released upon Completion. The Target Group also had the outstanding GCHL Loans with an aggregate principal amount of approximately RMB668.2 million (equivalent to approximately HK$741.7 million). The GCHL Loans were granted by GCHL, which were unsecured, repayable within one year or on demand and thus is subject to annual renewal. As at the Latest Practicable Date, the Company has yet to commence the negotiation of the renewal of GCHL Loans. In view of the Group's current financial position and the unfavourable macro-economic environment, the Directors considered that the result of renewal of the GCHL Loans is subject to GCHL's approval. As a result, the Target Group has an imminent need of funding in order to repay the borrowings if their respective terms are not extended or renewed when the respective outstanding loans and interests incurred thereon become due.

We note from the Letter from the Board, the 2018 Annual Report and the 2019 Interim Report, no revenue were derived from the Target Company for the years ended 31 December 2017 and 2018, and for the six months ended 30 June 2019, and loss attributable to railway construction and operations were approximately HK$77.5 million, HK$72.1 million and HK$29.5 million for the year ended 31 December 2017 and 2018, and for the six months ended 30 June 2019, representing approximately 79.6%, 42.7% and 60.5% of the total loss of the Group for the respective period. In addition, the net liabilities of the Target Company were approximately HK$562.0 million, HK$623.1 million and HK$651.5 million as at 31 December 2017 and 2018 and 30 June 2019, respectively, which were significantly larger than the total net liabilities of the Group on the respective dates. In addition, according to the Letter from the Board, we note that the Group will record a gain of approximately HK$45.0 million from the Disposal assuming the Disposal had completed on 30 June 2019. We further note that, according to unaudited pro forma financial information of the Remaining Group set out in the Appendix III to this circular, (i) the net liabilities of the Group as at 30 June 2019 would be reduced from approximately HK$235.0 million to approximately HK$50.3 million assuming that the completion of the Disposal had taken place as at 30 June 2019; and (ii) the loss for the year of the Group would be reduced from HK$168.8 million to approximately HK$102.0 million, assuming that the completion of the Disposal had taken place as at 1 January 2018.

The Additional Contribution

As disclosed in the Possible Restructuring Announcement, the Board received a report from the Target Company enclosing a copy of the letter jointly issued by the Railway Companies on an urgent basis requesting the Target Company to contribute additional capital to the Railway Companies in an aggregate amount of RMB417 million (equivalent to approximately HK$462.9 million) (the "**Additional Contribution**") in February 2019. The Additional Contribution was calculated with reference to the investment estimate in the Project Engineering Report prepared by an independent professional engineering consulting firm in respect of Zunxiao Railway. According to the Project Engineering Report, the Additional Contribution was estimated with reference to the expected costs and expenses, including the construction of embankment and tracks, the repair and maintenance of constructed facilities, and other capital expenditures mainly related to construction costs including electrical and signaling system, station buildings, junctions construction and design and supervision fee (excluding the compensation sought by the owner of the Overlaid Mine). In addition, the relevant governmental bureaus at the city and county levels and the minority shareholders of the Railway Companies have been urging the Railway Companies to resume substantive construction of Zunxiao

Railway to meet the expected transportation demand of the steel plants and mining enterprise along Zunxiao Railway. Accordingly, in order to resume substantive construction of Zunxiao Railway towards completion and to satisfy the costs and expenses incurred and required to be incurred in relation thereto including repayment of the construction loan obtained for Zunxiao Railway, the Group is in urgent financial need in response to the requested contribution to their respective registered capital from the Target Company.

In view of the Group's current funding level and financial position, the Group does not have sufficient internal resources to cope with the funding need for the resumption of construction of the Zunxiao Railway. We have discussed with the Directors, and were given to understand that before entering into the Agreement with the Purchaser, the Company has had negotiations with independent prospective investors on the possible acquisition of a majority stake of the Railway Companies since September 2018. However, after several rounds of discussions on principal terms (including consideration and debt responsibility) among the parties, none of the prospective investors expressed their interests in acquiring the Target Group. In the end, the Company expressed its intention to divest the Target Group to GCHL which indicated its interest in the Target Group. Taking into account (i) the current financial position and tight liquidity of the Target Group; (ii) no prospective investors had made any offers; (iii) only GCHL is willing to take up the full responsibility of all financial liabilities on the books of the Target Group as well as other potential claims including the compensation sought by the owner of the Overlaid Mine; (iv) the Counter-Guarantee will be released upon Completion, as such the Company will not be obliged to provide such guarantee to GCHL; and (v) the Disposal will involve a shorter negotiation process as Mr. Zhu, being one of the directors of the Target Company, has been involved in the management of the Target Group and has had knowledge on the status of the Zunxiao Railway, the Company is of the view that and we concur that, the Disposal is a more viable option for the Company in salvaging the Group from the financial pressure resulted from the Zunxiao Railway.

According to the 2019 Interim Report, as at 30 June 2019, we note that the Group had bank balances and cash and net current liabilities of approximately HK$8.5 million and HK$2,043.4 million, and upon our enquiry with the Directors, given that (i) the Group does not have sufficient funds to sufficient internal resources to cope with the funding need for the Additional Contribution; and (ii) the Directors are of the view that the Target Group will not generate any income in the near future. Based on the above, the Directors consider and we concur that, the Additional Contribution is not commercially justifiable and financially feasible from the Group's perspective.

Upon Completion, (i) the Bank Loans; (ii) the GCHL Loans; and (iii) all costs, expenses, and liabilities of the Target Group will be fully transferred to the Purchaser and the Counter-Guarantee will be released. Accordingly, the Disposal, if completed, will significantly improve the financial position of the Company by reducing its liabilities, relieving substantial finance costs and improving gearing position and enabling the Remaining Group to place and focus its resources towards its shipping and logistics business which is expected to achieve and deliver better economic value to the Remaining Group. On such basis, the Directors consider and we concur that the reasons for the Disposal are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

Taking into account the abovementioned reasons, we are of the view that, though the Disposal is not in the ordinary and usual course of business of business of the Group, the entering into of the Agreement by the Company is justifiable and in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Agreement

On 29 August 2019 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (a connected person of the Company within the meaning of the Listing Rules) entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, at the nominal Consideration of RMB1.00 payable by the Purchaser to the Vendor on Completion in accordance with the terms and conditions of the Agreement.

5.1 Assets to be disposed

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share.

5.2 Consideration

As stated from the Letter from the Board, the Consideration for the Sale Share is RMB1.00, which was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among others, (i) the financial position of the Target Group as at 30 June 2019; (ii) the annual finance costs in respect of the Bank Loans and the GCHL Loans, respectively; (iii) the uncertainty as to the timetable for the resumption of the construction of the Zunxiao Railway and the determination of the amount of compensation which may be payable by the Company to the Overlaid Mine; and (iv) the Project Engineering Report commissioned by the Company and issued in September 2018 in respect of the Zunxiao Railway as mentioned in the Company's Possible Restructuring Announcement, it is estimated that substantial contribution towards further capital commitment of about RMB417 million (equivalent to approximately HK$462.9 million) will be required for the Target Group to achieve full completion of the construction of the Zunxiao Railway, while the Consideration shall be payable in cash by the Purchaser to the Vendor at Completion.

In respect of the annual finance cost in respect of the Bank Loans and the GCHL Loans, we have reviewed the 2018 Annual Report and 2019 Interim Report and discussed with the management of the Company and noted that the bank and other borrowings interest expenses of the Group the years ended 31 December 2017 and 2018 and six months ended 30 June 2019 were approximately HK$61.4 million, HK$59.7 million and HK$24.0 million, respectively, of which approximately HK$54.9 million, HK$55.3 million and HK$21.9 million of the respective period were finance costs derived from the Bank Loans, and approximately HK$2.2 million, HK$2.0 million and HK$0.9 million of the respective period were derived from the GCHL Loans.

In respect of the uncertainty as to the timetable for the resumption of the construction of the Zunxiao Railway and the determination of the amount of compensation and the substantial contribution towards further capital commitment of about RMB417 million (equivalent to approximately HK$462.9 million) will be required for the Target Group to achieve full completion of the construction of the Zunxiao Railway, we have obtained and reviewed the Project Engineering Report and the letter jointly issued by the Railway Companies, and noted that the Railway Companies had on an urgent basis requested the Target Company to contribute the Additional Contribution. We had also discussed with the Valuer (as defined below), who had performed site visit to the railway, and the Company regarding the current status of the railway, and the timetable and plan for the resumption of the construction of the Zunxiao Railway and the amount of the Additional Contribution.

Valuation

To assess the fairness and reasonableness of the Consideration, we have reviewed the valuation report (the "**Valuation Report**") in respect of the valuation of business valuation of 100% equity interest the Target Group as at 30 June 2019 (the "**Valuation**") which is contained in Appendix V to the Circular. The Target Group were valued by Roma Appraisals Limited, an independent valuer (the "**Valuer**") appointed by the Company. Set out below is a summary of certain major information as extracted from the Valuation Report.

(i) Experience of the Valuer and its engagement

We have conducted an interview with the Valuer regarding its experience in valuing similar businesses in PRC, and its independence. Based on our interview with the Valuer, we understand that the Valuer is an established independent valuer with a large number of completed assignments acting for listed companies with railway assets and logistic and noted that the Valuer carried out site visit to the inspection of the property, plant and equipment and construction of the Target Group in January 2019. We also understand that the valuer-in-charge of the Valuer 's valuation team has over 12 years' post-qualification experience in the valuation of projects in the PRC (valuation of business entities engaged in railways and logistic industries and the relevant valuation team members have valuation experience ranging from 5 years.

We have also reviewed the terms of engagement letter of the Valuer and noted that the purpose of which is to prepare a valuation report and provide the Company with the opinion of value on the Target Group. The engagement letter also contains standard valuation scopes that are typical of valuation carried out by independent valuers. The Valuer also confirmed that it did not have any material connection or involvement giving rise to a conflict of interest and is providing an objective and unbiased valuation. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. We note that the Valuer mainly carried out its due diligence through management enquiries and conducted its own research and has relied on publicly available information obtained through its own research as well as the financial information provided by the Management. We were advised by the Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification.

Based on the above, we are satisfied that the responsible person of the Valuer for the Valuation Report has relevant qualification as well as sufficient experience in performing the valuation, and that the engagement is under normal commercial terms and the scope of the Valuer 's work is appropriate in conducting the valuation.

(ii) Valuation methodologies

As disclosed in the Valuation Report, the Valuer has assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or undue time delays, and that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at its opinion of values, the Valuer adopted the asset-based approach The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature. As discussed with the Valuer, the Valuer confirmed that the aforementioned valuation method is a generally accepted method when determining the value of the Target Group.

Based on the above, we have discussed with the Valuer on the rationale of adopting the asset-based approach for valuing the Target Group. According to the Valuer, the asset-based approach is the most appropriate valuation method for assessing the market values of the Target Group. Also, we have discussed with the Valuer on the other methods (including Market-Based Approach and Income-Based Approach) in valuing the Target Group. According to the Valuer, (i) the Market-Based Approach is not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or consideration, were not available; and (ii) Income-Based Approach is not adopted because financial forecast with concrete business plan of the Target Group was unavailable. Therefore, we concur with the view of the Valuer that the asset-based approach method is appropriate in valuing the Target Group.

After considering the reasons for the Valuer's choice of adopting the valuation methodology for valuing the Target Group, we are of the opinion that, the valuation methodology used are reasonable and acceptable in establishing the market value of the Target Group as at 30 June 2019.

(iii) Valuation bases and assumptions

The Valuer adopted the Asset-Based Approach to derive the market value of the Target Group.

As advised by the Valuer, they adopted certain specific assumptions in the Valuation and the major ones are: (i) unaudited management accounts of the Target Group as at 30 June 2019 can reasonably represent its financial position since audited financial statements as at 30 June 2019 were not available; (ii) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate were assumed to be successfully obtained and renewable upon expiry with minimal costs; (iii) there will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments; (iv) there will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with; (v) there will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and (vi) interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

We have also discussed with the Valuer on their workings on the calculation details of the market values of the assets and liabilities of the Target Group as at 30 June 2019. We are of the view that the basis and assumption adopted are reasonable and relevant for the purpose of establishing the appraised value for the Valuation. Moreover, the Valuer also advised that, in valuing Target Group, they have complied with International Valuation Standards established by the International Valuation Standards Council in 2017; and (ii) the requirement set out in Chapter 5 and Practice Note 12 of the Listing Rules. After taken into account the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Valuer for the valuation of the Target Group as discussed above are reasonable and in line with market practice.

Our view

In light of the above and taking into account the reasons for and benefits of the Disposal as described above, and the Valuer's opinion that the market value of 100% equity interest of the Target Group as at 30 June 2019 was reasonably stated as no economic value, we are of the view that the principal terms of the Agreement including the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Financial Effects of the Disposal

Upon Completion, members of the Target Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

Assets and liabilities

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the effect of the Completion on the assets and liabilities of the Group, assuming the Disposal had taken place on 30 June 2019.

As set out in the unaudited pro forma consolidated statement of financial position of the Remaining Group in Appendix III to this Circular, (i) the total assets of the Remaining Group will decrease by approximately HK$1,603.7 million; and (ii) the total liabilities of the Remaining Group will decrease by approximately HK$1,788.5 million, assuming that the completion of the Disposal had taken place as at 30 June 2019. The decrease in total assets was mainly due to the derecognition of construction in progress and railway construction prepayment whilst the decrease in total liabilities was mainly due to the derecognition of the Bank Loans and the GCHL Loans. Accordingly, the pro forma net liabilities of the Remaining Group as at 30 June 2019 would have decreased from approximately HK$235.0 million to approximately HK$50.3 million assuming that the Completion had taken place as at 30 June 2019.

Earnings

Since the Target Group has been loss-making, it is expected that the earnings of the Remaining Group will increase due to the deconsolidation of the losses of the Target Group after the Completion. It is also expected that the Group will record a gain of approximately HK$45.0 million from the Disposal assuming the Disposal had completed on 30 June 2019, the details of which are set out as follows:

	HK$,000
Consideration (RMB1.00, equivalent to HK$1.11)	—
Less:	
Estimated professional fees in relation to the Disposal	(3,000)
Shareholder loan due from the Target Group to be waived	(463,719)
	(466,719)
Add: Net liabilities of the Target Group attributable to equity shareholders of the Company as at 30 June 2019	511,710
Estimated gain on the Disposal as at 30 June 2019	44,991

Shareholders and potential investors of the Company should note that the actual amount of gain on the Disposal should be calculated on the basis of the relevant figures as at the date of the Completion and therefore would or would not be different from the abovementioned.

The Company intends to use the proceeds from the Disposal for working capital of the Group.

Liquidity and working capital

As at 30 June 2019, the Group's net liabilities was approximately HK$235.0 million, whilst the Group had bank and cash balances of approximately HK$8.5 million. As the Consideration for the Sale Share is RMB1.00, it is expected that there will be no material impact to the Group's current assets and current liabilities (i.e. current ratio).

7. RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that, although the Disposal is not in the ordinary and usual course of business of the Company, the Agreement and the transactions contemplated thereunder on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Disposal and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the securities and investment banking industries.

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Group for the year ended 31 December 2016, the year ended 31 December 2017, the year ended 31 December 2018 and the six months ended 30 June 2019 are disclosed on pages 43–112 of the 2016 annual report published on 6 April 2017, pages 49–122 of the 2017 annual report published on 9 April 2018, pages 64–142 of the 2018 annual report published on 11 April 2019 and pages 39–82 of the 2019 interim report published on 2 September 2019, respectively.

The said annual reports and interim report of the Company are available on the Company's website at http://www.aelg.com.hk/ and website of the Stock Exchange at www.hkexnews.hk through the links below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0902/ltn201909021811.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0411/ltn20190411523.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0409/ltn20180409047.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0406/ltn20170406093.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had outstanding bank and other loans of approximately HK$1,617.3 million and convertible bonds in the principal amount of approximately HK$118.0 million as detailed below:

Bank and other borrowings

As at the close of business on 31 August 2019, the Group had outstanding secured bank borrowings of approximately HK$861.3 million and unsecured other borrowings of approximately HK$756.0 million. The bank borrowings were secured by guarantees provided by GCHL. In return for GCHL's guarantees, the Group has provided a counter-guarantee to the extent of the equity interest held by the Group in each of the relevant subsidiaries principally engaged in railway construction and operations (the "**Railway Subsidiaries**"), and share mortgage, equity and asset pledges of the Company's Railway Subsidiaries in favour of GCHL.

Convertible bonds

As at the close of business on 31 August 2019, the Group had outstanding convertible bonds in the principal amount of approximately HK$118.0 million.

Lease liabilities

As at the close of business on 31 August 2019, the Group had outstanding unpaid contractual lease payment amounting to approximately HK$3.2 million in aggregate in relation to the remaining lease terms of certain lease contracts for premises, which was secured by rental deposit of approximately HK$1.0 million.

Amounts due to related parties

As at the close of business on 31 August 2019, the Group had outstanding amount of approximately HK$145.9 million in relation to the excess of Group's share of losses, over its investment in the joint venture, which is unsecured, non-interest-bearing and has no repayment term. Also, amounts due to minority equity owners of subsidiaries of approximately HK$8.1 million are unsecured, interest-free and repayable on demand.

Material guarantees and contingent liabilities

The Company has executed a counter-guarantee to indemnify GCHL up to approximately RMB452.0 million (equivalent to approximately HK$501.7 million) as at 31 August 2019, in return of which GCHL has agreed to execute guarantees to a bank in respect of bank borrowings granted to the Group's Railway Subsidiaries. Under the counter-guarantee, the Company will be liable to pay GCHL (including all related accrued interests, costs and expenses incurred, if any) in the event of any default of the bank borrowings.

Saved as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not, as at the close of business on 31 August 2019, have any outstanding loan capital, bank overdrafts, charges or debentures, mortgages, term loans, debt securities or any other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2018 (being the date which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

In determining the sufficiency of the working capital of the Group, the Directors have made the following assumptions:

As at 31 August 2019, the Group's total borrowings comprising bank and other borrowings and convertible bonds amounted to approximately HK$1,723.6 million.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors, after due and careful enquiry and after taking into account the relief of substantial financial costs upon completion of the Disposal and the financial resources available to the Group, including cash and cash equivalents on hand and cash flows from operating activities, and on the assumptions that the following financing plans and measures can be successfully executed, are of the opinion that the Group will have sufficient working capital for its present operating requirements and to pay its financial obligations as and when they fall due and for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances. However, if any of the following matters become unsuccessful, the Group may not have sufficient working capital for the next twelve months from the date of this circular.

i) The successful completion of placing of convertible bonds

On 25 June 2019, the Company announced that it entered into the placing agreement with the placing agent, pursuant to which the Company has proposed to offer for subscription, and the placing agent has agreed to procure not less than six (6) placees, to subscribe for, the convertible bonds on a best effort basis of a principal amount up to HK$60,000,000. The receipt of the proceeds from the placing of the convertible bonds included in the cash flow projections is subject to the successful completion of the placing of the convertible bonds. On 4 October 2019, the Company entered into the second supplemental placing agreement with the placing agent in respect of the extension of the placing period to 25 October 2019 and the longstop date to 15 November 2019 respectively.

ii) No early redemption of convertible bonds subscribed by GIC Investment Limited (the "GIC Convertible Bonds")

The bondholder of GIC Convertible Bonds has the right to require the Company to redeem GIC Convertible Bonds at any time on or after two years from the issue date, 2 March 2018. Upon the completion of the Disposal, the Directors believe that the Share price of the Company will increase due to the anticipated significant improvement in financial performance and financial position of the Group. Moreover, on 17 September 2019, the Company and the bondholder entered into the deed of amendment whereby the Company and the bondholder have conditionally agreed to, among other matters, to reduce the conversion price of the GIC Convertible Bonds. For details, please refer to the announcement of the Company dated 17 September

2019 and the circular of the Company dated 25 October 2019. Based on above, the Directors believe that the bondholder of GIC Convertible Bonds will not exercise its right of requesting for early redemption of GIC Convertible Bonds.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

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

Upon Completion, the shipping and logistics businesses will become the core business of the Remaining Group and the vessels will become major assets of the Remaining Group. Based on the unaudited pro forma statement of financial position of the Remaining Group as set out in Appendix III to this circular, the net liabilities of the Group as at 30 June 2019 was approximately HK$235.0 million and the unaudited pro forma net liabilities of the Remaining Group will be approximately HK$50.3 million, representing a decrease of approximately 78.6% after the Completion. The Remaining Group will continue to develop its shipping and logistics businesses to further enhance the business portfolio of the Group and to improve its business performance. The management of the Remaining Group will continue to review its shipping and logistics businesses from time to time and strive to turnaround the net loss situation and net liabilities position of the Remaining Group.

Looking ahead, in order to expand the scale of shipping and logistics business and improve the financial position of the Remaining Group, the Remaining Group will continue to seek suitable investment opportunities from time to time to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, the Remaining Group has not yet identified any potential investment targets.

The following is the text of a report received from Mazars CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

MAZARS

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Independent Auditor's Report on Review of Unaudited Financial Information of China Railway Logistic Holdings Limited
(incorporated in Hong Kong with limited liability)

To the Board of Directors of Asia Energy Logistics Group Limited

INTRODUCTION

We were engaged to review the financial information set out on pages from II-4 to II-16 which comprises the consolidated statements of financial position of China Railway Logistic Holdings Limited ("China Railway") and it subsidiaries (together the "China Railway Group") as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the China Railway Group for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019 (the "Unaudited Financial Information"). The Unaudited Financial Information has been prepared solely for management information purpose of inclusion in the circular to be issued by Asia Energy Logistics Group Limited (the "Company" or "AELG") in connection with the proposed disposal of entire equity interest in China Railway in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation and presentation of the Unaudited Financial Information in accordance with the basis of presentation and preparation set out in Note 2 to the Unaudited Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Unaudited Financial Information that is free from material misstatement, whether due to fraud or error. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the Unaudited Financial Information. Because of the matters described in the Basis for Disclaimer of Conclusion section of our report, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the Unaudited Financial Information.

This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS FOR DISCLAIMER OF CONCLUSION

(i) Impairment of non-current assets

Included in the consolidated statements of financial position as at 31 December 2016 and 31 December 2017 are certain property, plant and equipment, construction in progress and railway construction prepayment (collectively referred to as the "Railway Assets") with aggregate carrying amounts of HK$1,586,589,000 and HK$1,682,784,000 respectively, which were arrived at after deducting impairment losses based on directors' assessment of approximately HK$302,437,000 and HK$338,120,000 respectively.

Since we were unable to obtain sufficient appropriate evidence to assess the adequacy and appropriateness of the directors' impairment assessment as at 31 December 2016 and 31 December 2017, we were unable to determine whether any adjustments to the Railway Assets as at 31 December 2016 and 31 December 2017 were necessary, which may have a significant impact on the financial position of the China Railway Group as at 31 December 2016 and 31 December 2017, and on the financial performance and the elements making up the consolidated statements of cash flows of the China Railway Group for the years ended 31 December 2016, 31 December 2017 and 31 December 2018.

(ii) Material uncertainty related to going concern

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the China Railway Group had net current liabilities of approximately HK$1,049,804,000, HK$2,244,756,000, HK$2,228,332,000 and HK$2,254,095,000 respectively and had net liabilities of approximately HK$478,285,000, HK$561,972,000, HK$623,147,000 and HK$651,463,000 respectively. In addition, it incurred a loss of approximately HK$401,766,000, HK$77,518,000, HK$72,099,000 and HK$29,508,000 for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the China Railway Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the China Railway Group as mentioned in Note 2.1 to the Unaudited Financial Information. The directors of the

Company are of the opinion that the China Railway Group would be able to continue as a going concern. Therefore, the Unaudited Financial Information has been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the China Railway Group are unable to continue as a going concern.

We were unable to obtain sufficient appropriate evidence regarding the use of going concern assumption in the preparation of the Unaudited Financial Information. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statements of financial position as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019. In addition, the China Railway Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

DISCLAIMER OF CONCLUSION

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we were unable to obtain sufficient appropriate evidence to form a conclusion on the Unaudited Financial Information. Accordingly, we do not express a conclusion on the Unaudited Financial Information.

Mazars CPA Limited
Certified Public Accountants,
Hong Kong, 25 October 2019

Set out below are the unaudited consolidated financial information of China Railway Logistic Holdings Limited ("**China Railway**") and its subsidiaries (collectively the "**China Railway Group**") which comprises the unaudited consolidated statements of financial position of the China Railway Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of the China Railway Group for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019, and certain explanatory notes (altogether the "**Unaudited Financial Information**"). The ultimate holding company of China Railway is Asia Energy Logistics Group Limited ("**AELG**").

The Unaudited Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the bases of preparation and presentation as set out in Note 2 to the Unaudited Financial Information. The Unaudited Financial Information is prepared by the directors of AELG solely for the purpose of inclusion in this circular in connection with the Disposal. China Railway's auditor, Mazars CPA Limited, was engaged to review the Unaudited Financial Information as set out on pages II-4 to II-16 of this circular in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

The review report on the Unaudited Financial Information is set out on pages II-1 — II-3 of this circular.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue		—	—	—	—	—
Other income		243	2,379	164	—	1
Administrative and other operating expenses		(5,227)	(1,559)	(8,774)	(1,229)	(1,580)
Impairment loss on property, plant and equipment		(645)	(20)	—	—	—
Depreciation		(882)	(677)	(607)	(316)	(326)
Staff costs		(4,210)	(3,747)	(4,395)	(2,199)	(4,121)
Impairment loss on construction in progress		(314,015)	(13,898)	—	—	—
Impairment loss on railway construction prepayment		(1,641)	(72)	—	—	—
Finance costs	3	(75,389)	(59,924)	(58,487)	(28,510)	(23,482)
Loss before tax		(401,766)	(77,518)	(72,099)	(32,254)	(29,508)
Income tax		—	—	—	—	—
Loss for the year/period		(401,766)	(77,518)	(72,099)	(32,254)	(29,508)
Other comprehensive (loss) income						
Exchange difference on translation of foreign operations		(5,903)	(6,169)	10,924	2,181	1,192
Total comprehensive loss for the year/period		(407,669)	(83,687)	(61,175)	(30,073)	(28,316)
Loss attributable to:						
Owners of China Railway		(235,784)	(42,119)	(41,883)	(19,003)	(16,724)
Non-controlling interests		(165,982)	(35,399)	(30,216)	(13,251)	(12,784)
		(401,766)	(77,518)	(72,099)	(32,254)	(29,508)
Total comprehensive loss attributable to:						
Owners of China Railway		(238,238)	(45,638)	(35,453)	(17,742)	(16,033)
Non-controlling interests		(169,431)	(38,049)	(25,722)	(12,331)	(12,283)
		(407,669)	(83,687)	(61,175)	(30,073)	(28,316)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Unaudited)
Non-current assets					
Property, plant and equipment	4	2,842	2,319	1,628	1,894
Construction in progress	5	1,575,512	1,671,728	1,598,782	1,595,982
Railway construction prepayment	6	8,235	8,737	4,775	4,756
		1,586,589	1,682,784	1,605,185	1,602,632
Current assets					
Prepayment, deposits and other receivables		75	658	315	336
Amount due from Golden Concord Group Management Limited	7	23,163	24,832	23,682	—
Bank and cash balances		42	120	1,167	770
		23,280	25,610	25,164	1,106
Current liabilities					
Amount due to a fellow subsidiary	8	4,992	5,171	6,059	6,208
Amount due to an intermediate holding company	8	357,510	357,758	357,911	357,888
Amount due to ultimate holding company	8	99,551	99,623	99,623	99,623
Accruals and other payables		142,656	157,761	142,332	139,188
Bank and other borrowings	9	460,198	1,641,303	1,639,223	1,643,979
Amounts due to minority equity owners of subsidiaries	10	8,177	8,750	8,348	8,315
		1,073,084	2,270,366	2,253,496	2,255,201
Net current liabilities		(1,049,804)	(2,244,756)	(2,228,332)	(2,254,095)
Total assets less current liabilities		536,785	(561,972)	(623,147)	(651,463)
Non-current liability					
Bank and other borrowings		1,015,070	—	—	—
		1,015,070	—	—	—
Net liabilities		(478,285)	(561,972)	(623,147)	(651,463)
Equity					
Share capital		—	—	—	—
Reserves		(414,586)	(460,224)	(495,677)	(511,710)
Equity attributable to the owners of China Railway		(414,586)	(460,224)	(495,677)	(511,710)
Non-controlling interests		(63,699)	(101,748)	(127,470)	(139,753)
Total deficits		(478,285)	(561,972)	(623,147)	(651,463)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of China Railway						
	Share capital	**Share options reserve**	**Foreign exchange reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total deficits**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2016	—	2,842	27,103	(206,293)	(176,348)	105,732	(70,616)
Loss for the year	—	—	—	(235,784)	(235,784)	(165,982)	(401,766)
Other comprehensive loss for the year:							
Exchange difference arising from translation of foreign operations	—	—	(2,454)	—	(2,454)	(3,449)	(5,903)
Total comprehensive loss for the year	—	—	(2,454)	(235,784)	(238,238)	(169,431)	(407,669)
As at 31 December 2016 and 1 January 2017	—	2,842	24,649	(442,077)	(414,586)	(63,699)	(478,285)
Loss for the year	—	—	—	(42,119)	(42,119)	(35,399)	(77,518)
Other comprehensive loss for the year:							
Exchange difference arising from translation of foreign operations	—	—	(3,519)	—	(3,519)	(2,650)	(6,169)
Total comprehensive loss for the year	—	—	(3,519)	(42,119)	(45,638)	(38,049)	(83,687)
Transactions with owners of the Company:							
Lapse/forfeiture of share options	—	(52)	—	52	—	—	—
As at 31 December 2017 and 1 January 2018	—	2,790	21,130	(484,144)	(460,224)	(101,748)	(561,972)
Loss for the year	—	—	—	(41,883)	(41,883)	(30,216)	(72,099)
Other comprehensive income for the year:							
Exchange difference arising from translation of foreign operations	—	—	6,430	—	6,430	4,494	10,924
Total comprehensive loss for the year	—	—	6,430	(41,883)	(35,453)	(25,722)	(61,175)
As at 31 December 2018	—	2,790	27,560	(526,027)	(495,677)	(127,470)	(623,147)

	Attributable to owners of China Railway						
	Share capital	**Share options reserve**	**Foreign exchange reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total deficits**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2018	—	2,790	21,130	(484,144)	(460,224)	(101,748)	(561,972)
Loss for the period	—	—	—	(19,003)	(19,003)	(13,251)	(32,254)
Other comprehensive income for the period:							
Exchange difference arising from translation of foreign operations	—	—	1,261	—	1,261	920	2,181
Total comprehensive loss for the period	—	—	1,261	(19,003)	(17,742)	(12,331)	(30,073)
As at 30 June 2018	—	2,790	22,391	(503,147)	(477,966)	(114,079)	(592,045)
As at 1 January 2019	—	2,790	27,560	(526,027)	(495,677)	(127,470)	(623,147)
Loss for the period	—	—	—	(16,724)	(16,724)	(12,784)	(29,508)
Other comprehensive income for the period:							
Exchange difference arising from translation of foreign operations	—	—	691	—	691	501	1,192
Total comprehensive loss for the period	—	—	691	(16,724)	(16,033)	(12,283)	(28,316)
As at 30 June 2019	—	2,790	28,251	(542,751)	(511,710)	(139,753)	(651,463)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES					
Loss before tax	(401,766)	(77,518)	(72,099)	(32,254)	(29,508)
Impairment loss on construction in progress	314,015	13,898	—	—	—
Impairment loss on railway construction prepayment	1,641	72	—	—	—
Impairment loss on property, plant and equipment	645	20	—	—	—
Gain on disposal of property, plant and equipment	(235)	—	—	—	—
Bank interest income	(7)	—	(2)	—	(1)
Depreciation	882	677	607	316	326
Finance costs	75,389	59,924	58,487	28,510	23,482
Effect of foreign exchange rate changes	9,994	(12,325)	9,171	1,330	318
Changes in working capital:					
Prepayment, deposits and other receivables	1,681	(613)	1,525	(53)	(53)
Amount due from Golden Concord Group Management Limited	—	—	—	—	23,682
Accruals and other payables	(9,619)	9,924	(16,487)	(1,250)	(4,169)
Amount due to a fellow subsidiary	661	179	888	235	149
Amount due to an intermediate holding company	—	280	121	130	9
Amount due to ultimate holding company	(80)	72	—	—	—
Cash (used in) from operations	**(6,799)**	**(5,410)**	**(17,789)**	**(3,036)**	**14,235**
Bank interest received	7	—	2	—	1
Interest paid	(72,560)	(54,925)	(54,910)	(27,676)	(21,880)
Net cash used in operating activities	**(79,352)**	**(60,335)**	**(72,697)**	**(30,712)**	**(7,644)**
INVESTING ACTIVITIES					
Payment for construction in progress	—	—	(2,538)	—	(3,561)
Purchase of property, plant and equipment	—	—	—	—	(593)
Net cash used in investing activities	**—**	**—**	**(2,538)**	**—**	**(4,154)**
FINANCING ACTIVITIES					
New bank and other borrowings raised	275,790	118,124	194,903	30,845	70,103
Repayment of bank and other borrowings	(200,759)	(57,711)	(118,621)	—	(58,702)
Net cash from financing activities	**75,031**	**60,413**	**76,282**	**30,845**	**11,401**
Net (decrease) increase in cash and cash equivalents	(4,321)	78	1,047	133	(397)
Cash and cash equivalents at the beginning of reporting period	4,363	42	120	120	1,167
Cash and cash equivalents at the end of reporting period, represented by bank balances and cash	**42**	**120**	**1,167**	**253**	**770**

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Railway Logistic Holdings Limited ("**China Railway**") was incorporated in Hong Kong and principally engaged in investment holding. Particulars of China Railway's principal subsidiaries are as follows:

Name	Place of incorporation	Registered capital	Percentage of equity directly attributable to China Railway	Principal activities
承德遵小鐵路有限公司 Chengde Zunxiao Railway Limited* ("**Zunxiao Company**")	The People's Republic of China (the "**PRC**")	RMB224,000,000	62.5%	Railway construction and operations
承德寬平鐵路有限公司 Chengde Kuanping Railway Limited* ("**Kuanping Company**")	The PRC	RMB129,000,000	62.5%	Railway construction and operations
唐山唐承鐵路運輸有限責任公司 Tangshan Tangcheng Railway Transportation Limited* ("**Tangcheng Company**")	The PRC	RMB205,000,000	51%	Railway construction and operations

* *English name for identification purpose only*

On 29 August 2019, Top Fast Holdings Limited (the "**Vendor**"), an indirectly wholly-owned subsidiary of Asia Energy Logistics Group Limited ("**AELG**"), entered into a conditional sale and purchase agreement (the "**Agreement**") with Falcon Power Holdings Limited ("**Falcon Power**"), pursuant to which the Vendor agreed to sell, and Falcon Power agreed to acquire, the 100% equity interest in China Railway (the "**Disposal**"). The principal terms of the Agreement are summarised in AELG's announcement dated 29 August 2019. Upon completion of the Disposal, the China Railway Group will cease to be subsidiaries of AELG.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Unaudited Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular to be issued by AELG in connection with the Disposal.

The Unaudited Financial Information has been prepared on the historical cost basis. The Unaudited Financial Information of the China Railway Group has been prepared using the same accounting policies adopted by AELG in the preparation of the consolidated financial statements of AELG for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019, for respective years and periods, which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The adoption of the new/revised HKFRSs that are relevant to the China Railway Group and effective for the six months ended 30 June 2019 had no significant effects on the results and financial position of the China Railway Group for the current and prior periods.

The Unaudited Financial Information is presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard ("**HKAS**") 1 (Revised) "Presentation of Financial Statements" nor an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The Unaudited Financial Information for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 have been prepared for the purposes of inclusion in this circular to be issued by AELG in connection with the Disposal. China Railway, as a wholly-owned subsidiary of AELG, has applied section 379(3) of the Hong Kong Companies Ordinance (the "**HKCO**") to prepare company-level financial statements as its specified financial statements as defined in section 436 of the HKCO. Consequently, the Unaudited Financial Information does not constitute the Company's specified financial statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018.

China Railway is not required to deliver its specified financial statements to the Registrar of Companies and has not done so. China Railway's auditors had disclaimed their opinion and included a statement under section 407(3) of the Hong Kong Companies Ordinance in their auditor's reports on the specified financial statements of China Railway for the years ended 31 December 2016, 31 December 2017 and 31 December 2018.

2.1 Going Concern

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the China Railway Group had net current liabilities of approximately HK$1,049,804,000, HK$2,244,756,000, HK$2,228,332,000 and HK$2,254,095,000 respectively and had net liabilities of approximately HK$478,285,000, HK$561,972,000, HK$623,147,000 and HK$651,463,000 respectively. In addition, it incurred a loss of approximately HK$401,766,000, HK$77,518,000, HK$72,099,000 and HK$29,508,000 for years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the China Railway Group's ability to continue as a going concern.

The China Railway Group's net current liabilities and net liabilities are mainly attributable to its three non-wholly owned subsidiaries, Zunxiao Company, Kuanping Company and 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 PRC (the "**Zunxiao Railway**").

Following the positive developments of the negotiation of the compensation payable to the Mine Owner (as defined in note 5), which has been dragged on for years, the directors of China Railway are optimistic that the construction work of the Zunxiao Railway could be resumed soon. In addition, the future economic benefits to be brought by the Zunxiao Railway to the China Railway Group are expected to be significant, given the State Council promulgated the Three-year Action Plan to Make the Skies Blue Again (《打贏藍天保衛戰三年行動計劃》) in 2018.

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 borrowings, construction cost payables and other operating expenses. One of the Lenders is Golden Concord Holdings Limited ("**GCL**"), a guarantor of the China Railway Group's bank borrowings. The Lenders are beneficially owned by Mr. Zhu Gongshan ("**Mr. Zhu**"), a director of certain subsidiaries, including the Railway Companies, of AELG. Mr. Zhu is also a beneficiary of a discretionary trust which is a substantial shareholder of AELG.

In this connection, GCL, which is also the holding company of the other companies comprising the Lenders, has confirmed in writing that it will continue to provide financial support to the Railway Companies and will not demand for repayment of other borrowings of the China Railway Group, which amounted to approximately HK$404,301,000, HK$555,075,000, HK$717,072,000 and HK$759,560,000 as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 respectively, and related interests until the financial position of the Railway Companies is improved and the loan repayments will not affect the construction and operation of the Zunxiao Railway.

In addition, the Railway Companies will negotiate with the bank for extension of the repayment date of the entire or partial amount of the China Railway Group's bank borrowings which are due for repayment on 31 December 2019.

Furthermore, the directors have also taken into account the urgent letter of request dated 28 January 2019 from the Railway Companies in respect of the proportional contribution to the anticipated increase of capital, details of which have been disclosed in AELG's announcement dated 30 January 2019.

The directors have prepared a cash flow forecast covering a period up to 30 June 2020 on the basis that the China Railway Group's aforementioned plans and measures will be successful, and are satisfied that the China Railway Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 30 June 2019. Accordingly, the directors consider that it is appropriate to prepare the Unaudited Financial Information on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the China Railway Group will be able to successfully implement its plans and measures as mentioned above. The appropriateness of the use of the going concern basis depends on whether (i) the China Railway Group would be able to successfully negotiate with the bank for extension of the repayment date of the China Railway Group's bank borrowings; (ii) the Lenders which have been providing financial support to the Railway Companies will continue to have sufficient and adequate financial resources to provide financial support to the Railway Companies; and (iii) the China Railway Group will be able to reach an agreement with the Mine Owner on the amount of compensation payable to the Miner Owner as planned so that the China Railway Group would be able to resume and complete the construction of the Zunxiao Railway.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the China Railway Group's ability to continue as a going concern and, therefore, the China Railway Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the Unaudited Financial Information be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the unaudited consolidated statements of financial position. In addition, the China Railway Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. FINANCE COSTS

	Year ended 31 December			**Six months ended 30 June**	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interests on bank borrowings	68,897	54,925	55,302	27,676	21,881
Interests on other borrowings	6,492	4,999	3,185	834	1,601
	75,389	59,924	58,487	28,510	23,482

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Locomotives	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 31 December 2016					
Cost	307	2,037	1,262	6,248	9,854
Accumulated depreciation and impairment losses	(253)	(1,832)	(1,136)	(3,791)	(7,012)
	54	**205**	**126**	**2,457**	**2,842**
As at 31 December 2017					
Cost	329	2,179	1,350	6,687	10,545
Accumulated depreciation and impairment losses	(311)	(2,020)	(1,216)	(4,679)	(8,226)
	18	**159**	**134**	**2,008**	**2,319**
As at 31 December 2018					
Cost	314	2,079	1,288	6,379	10,060
Accumulated depreciation and impairment losses	(303)	(1,931)	(1,160)	(5,038)	(8,432)
	11	**148**	**128**	**1,341**	**1,628**
As at 30 June 2019					
Cost	313	2,194	1,754	6,354	10,615
Accumulated depreciation and impairment losses	(304)	(1,929)	(1,183)	(5,305)	(8,721)
	9	**265**	**571**	**1,049**	**1,894**

5. CONSTRUCTION IN PROGRESS

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost	1,875,798	2,007,470	1,919,085	1,915,024
Accumulated impairment losses	300,286	335,742	320,303	319,042
Carrying amount	1,575,512	1,671,728	1,598,782	1,595,982

Construction in progress and railway construction prepayment (note 6) represent construction costs and related prepaid construction costs of the Zunxiao Railway. The construction in progress, the railway construction prepayment and related property, plant and equipment (note 4) are collectively referred to as the "Railway Assets".

The construction work of the Zunxiao Railway has been suspended since July 2013 because the Group could not reach an agreement with the overlaid mine owner (the "**Mine Owner**") in respect of the compensation payable to the Mine Owner for the reserve of the mine together with relevant affected assets located at around the Tangcheng section of the Zunxiao Railway.

During the years ended 31 December 2016 and 2017, no agreement could be reached in respect of the amount of the compensation payable. Accordingly, an independent valuer was engaged to assess the recoverable amounts of the Railway Assets as at 31 December 2016 and 2017.

The assessment of the recoverable amounts of the Railway Assets as at 31 December 2016 and 2017 involved value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3.00% in 2016 and 2017, which did not exceed the long-term growth rate for the railway industry. The cash flows are discounted using a discount rate of 17.33% and 17.80% in 2016 and 2017 respectively. The discount rate used is pre-tax and reflects specific risks relating to the Railway Assets. The cash flows are estimated based on various assumptions, mainly including the expected amount of the compensation payable to the Mine Owner, the expected payment terms of the compensation, the expected time of resumption of the construction of the Zunxiao Railway, the expected commencement date of operation of the Zunxiao Railway and the estimated transportation price and volume when the Zunxiao Railway is in operation, etc.

Since the recoverable amounts of the Railway Assets as at 31 December 2016 and 2017 were less than their carrying amounts, impairment losses on property, plant and equipment, construction in progress and railway construction prepayment were recognised during the years ended 31 December 2016 and 31 December 2017 as presented in the unaudited consolidated statements of profit or loss and other comprehensive income.

During the year ended 31 December 2018, an agreement to jointly appoint independent valuers was entered into between Tangcheng Company and the Mine Owner in order to assess the volume and fair value of the reserve of the mine together with relevant affected assets, which will form a basis of the amount of the compensation payable to the Mine Owner. As at the date of the Unaudited Financial Information, the assessment of the volume of the mine conducted by the independent valuers (the "Assessed Mine Volume") was completed. The Company engaged another independent valuer to assess the fair value of the Assessed Mine Volume. The fair value of the Assessed Mine Volume was assessed as approximately RMB42 million as at 31 December 2018. The management of the China Railway Group is finalising the compensation amount with the Mine Owner. However, no consensus on the amount of the compensation has been reached between Tangcheng Company and the Mine Owner as at the date of the Unaudited Financial Information.

The Group assessed the recoverable amount of the Railway Assets as at 31 December 2018 with reference to a valuation performed by an independent professional valuer. The recoverable amount of the Railway Assets was assessed using value in use calculation. The value in use calculation involved cash flows projections with unit transportation price, transportation volume and growth rates of unit transportation price and related costs as the key assumptions. The pre-tax discount rate used in the value in use calculation was 18%.

Since the recoverable amounts of the Railway Assets as at 31 December 2018 were approximately the same as their carrying amount, no further impairment loss or reversal of impairment loss for the year ended 31 December 2018 was considered necessary.

The management considered that there have been no material changes in circumstances since 31 December 2018 that would have required recognition of additional impairment loss or reversal of impairment loss on the carrying amounts of the Railway Assets as at 30 June 2019.

6. RAILWAY CONSTRUCTION PREPAYMENT

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost	9,804	10,491	6,448	6,422
Accumulated impairment losses	1,569	1,754	1,673	1,666
Carrying amount	8,235	8,737	4,775	4,756

7. AMOUNT DUE FROM GOLDEN CONCORD GROUP MANAGEMENT LIMITED

The amount due is unsecured, interest-free and repayable on demand.

8. AMOUNTS DUE TO A FELLOW SUBSIDIARY/AN INTERMEDIATE HOLDING COMPANY/ ULTIMATE HOLDING COMPANY

The amounts due are unsecured, interest-free, and repayable on demand.

9. BANK AND OTHER BORROWINGS

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities				
Bank borrowings — guaranteed *(Note (a))*	55,897	1,086,228	922,151	884,419
Other borrowings — unsecured *(Note (b))*	404,301	555,075	717,072	759,560
	460,198	1,641,303	1,639,223	1,643,979
Non-current liability				
Bank borrowings — guaranteed *(Note (a))*	1,015,070	—	—	—
	1,475,268	1,641,303	1,639,223	1,643,979

The ranges of effective interest rates on the China Railway Group's borrowings are as follows:

	As at 31 December						As at 30 June 2019	
	2016		2017		2018			
	Effective interest rate (%)	*HK$'000*	*Effective interest rate (%)*	*HK$'000*	*Effective interest rate (%)*	*HK$'000*	*Effective interest rate (%)*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank borrowings — fixed rate	4.9% to 5.8%	1,070,967	4.9%	1,086,228	4.9%	922,151	4.9%	884,419
Other borrowings — fixed rate	6.5%	23,163	6.5%	24,823	1% to 6.5%	25,964	1%	2,274
Other borrowings — interest-free	0%	381,138	0%	530,252	0%	691,108	0%	757,286
		1,475,268		1,641,303		1,639,223		1,643,979

(a) GCL is a guarantor of the China Railway Group's bank borrowings. In return, AELG has provided a counter-guarantee to indemnify GCL and AELG has entered into share mortgage, equity and assets pledges in respect of AELG's equity interest in the Railway Companies in favour of GCL.

(b) Other borrowings are unsecured and repayable on demand or within one year.

10. AMOUNTS DUE TO MINORITY EQUITY OWNERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A. INTRODUCTION

The following unaudited pro forma financial information has been prepared by Asia Energy Logistics Group Limited (the "**Company**") to illustrate (i) the financial position of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**"), excluding China Railway Logistic Holdings Limited ("**China Railway**") and its subsidiaries (hereinafter collectively referred to as the "**China Railway Group**") (hereinafter referred to as the "**Remaining Group**") as if the proposed disposal of 100% equity interest in China Railway (the "**Proposed Disposal**") had been completed on 30 June 2019; and (ii) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2018 as if the Proposed Disposal had been completed on 1 January 2018. Details of the Proposed Disposal are set out in the "Letter from the Board" contained in the circular dated 25 October 2019 (the "**Circular**") issued by the Company.

The unaudited pro forma financial information is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2019 as extracted from the interim report of the Company for the six months ended 30 June 2019 after taking into account the pro forma adjustments relating to the Proposed Disposal as if the Proposed Disposal had been completed on 30 June 2019; and (ii) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 after taking into account the pro forma adjustments relating to the Proposed Disposal as if the Proposed Disposal had been completed on 1 January 2018.

The unaudited pro forma financial information is presented after making pro forma adjustments that are clearly shown and explained, directly attributable to the Proposed Disposal and not relating to future events or decisions, factually supportable and clearly identified as to those have/have no continuing effect on the Remaining Group.

The unaudited pro forma financial information, which has been prepared by the directors of the Company in accordance with paragraph 4.29(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the purposes of illustrating the effect of the Proposed Disposal, is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of (i) the financial position of the Remaining Group as at 30 June 2019 or at any future date had the Proposed Disposal been completed on 30 June 2019; or (ii) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2018 or any future period had the Proposed Disposal been completed on 1 January 2018.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the interim report of the Company for the six months ended 30 June 2019, the annual report of the Company for the year ended 31 December 2018 and other financial information included elsewhere in the Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group at 30 June 2019	Pro forma adjustments			Pro forma Remaining Group at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3(ii))*	*(Note 3(iii))*	
Non-current assets					
Property, plant and equipment	218,415	(1,894)	—	—	216,521
Intangible asset	1,000	—	—	—	1,000
Construction in progress	1,595,982	(1,595,982)	—	—	—
Railway construction prepayment	4,756	(4,756)	—	—	—
Interest in a joint venture	—	—	—	—	—
Right-of-use assets	3,488	—	—	—	3,488
Deposits paid for acquisition of property, plant and equipment	1,424	—	—	—	1,424
	1,825,065	(1,602,632)	—	—	222,433
Current assets					
Trade and other receivables	6,640	(336)	—	—	6,304
Bank balances and cash	8,465	(770)	—	—	7,695
	15,105	(1,106)	—	—	13,999
Current liabilities					
Trade and other payables	150,584	(139,188)	—	3,000	14,396
Due to the Remaining Group	—	(463,719)	463,719	—	—
GIC Convertible Bonds	76,926	—	—	—	76,926
Derivative components of GIC Convertible Bonds	13,101	—	—	—	13,101
Bank and other borrowings	1,660,005	(1,643,979)	—	—	16,026
Amount due to a joint venture	147,153	—	—	—	147,153
Amounts due to minority equity owners of subsidiaries	8,315	(8,315)	—	—	—
Lease liabilities	2,380	—	—	—	2,380
	2,058,464	(2,255,201)	463,719	3,000	269,982
Net current liabilities	(2,043,359)	2,254,095	(463,719)	(3,000)	(255,983)
Total assets less current liabilities	(218,294)	651,463	(463,719)	(3,000)	(33,550)

	The Group at 30 June 2019	Pro forma adjustments			Pro forma Remaining Group at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3(ii))*	*(Note 3(iii))*	
Non-current liabilities					
Contingent consideration payable	2,564	—	—	—	2,564
Convertible Bonds Due 2021	12,942	—	—	—	12,942
Lease liabilities	1,231	—	—	—	1,231
	16,737	—	—	—	16,737
Net liabilities	(235,031)	651,463	(463,719)	(3,000)	(50,287)
Capital and reserves					
Share capital	1,709,316	—	—	—	1,709,316
Reserves	(1,804,594)	511,710	(463,719)	(3,000)	(1,759,603)
Equity attributable to owners of the Company	(95,278)	511,710	(463,719)	(3,000)	(50,287)
Non-controlling interests	(139,753)	139,753	—	—	—
Total deficits	(235,031)	651,463	(463,719)	(3,000)	(50,287)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 4)*	*(Note 5)*	
Revenue	50,669	—	—	50,669
Cost of sales	(39,173)	—	—	(39,173)
Gross profit	11,496	—	—	11,496
Other income	641	(164)	—	477
Depreciation	(1,893)	607	—	(1,286)
Staff costs	(41,590)	4,395	—	(37,195)
Impairment loss on consideration receivable	(9,750)	—	—	(9,750)
Change in fair value of contingent consideration payable	4,228	—	—	4,228
Change in fair value of derivative components of GIC Convertible Bonds	(12,939)	—	—	(12,939)
Reversal of impairment loss on property, plant and equipment	9,000	—	—	9,000
Change in fair value of derivative components of Convertible Notes	(4)	—	—	(4)
Change in fair value of options/commitment to issue Convertible Notes	(16)	—	—	(16)
Share of results of joint venture	(24,754)	—	—	(24,754)
Other operating expenses	(30,591)	8,774	(3,000)	(24,817)
Finance costs	(72,603)	58,487	—	(14,116)
Loss on disposal of subsidiaries	—	—	(2,328)	(2,328)
Loss before taxation	(168,775)	72,099	(5,328)	(102,004)
Income tax expenses	—	—	—	—
Loss for the year	(168,775)	72,099	(5,328)	(102,004)

	The Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 4)*	*(Note 5)*	
Other comprehensive income				
Exchange difference on translation of foreign operations	10,924	(10,924)	—	—
Total comprehensive loss for the year	(157,851)	61,175	(5,328)	(102,004)
Loss for the year attributable to:				
Owners of the parent	(138,559)	41,883	(5,328)	(102,004)
Non-controlling interests	(30,216)	30,216	—	—
	(168,775)	72,099	(5,328)	(102,004)
Total comprehensive loss for the year attributable to:				
Owners of the parent	(132,129)	35,453	(5,328)	(102,004)
Non-controlling interests	(25,722)	25,722	—	—
	(157,851)	61,175	(5,328)	(102,004)

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 6)*	*(Note 5)*	
OPERATING ACTIVITIES				
Loss before taxation	(168,775)	72,099	(5,328)	(102,004)
Adjustments for:				
Interest income	(28)	2	—	(26)
Depreciation of property, plant and equipment	8,848	(607)	—	8,241
Finance costs	72,603	(58,487)	—	14,115
Change in fair value of contingent consideration payable	(4,228)	—	—	(4,228)
Write-off of property, plant and equipment	549	—	—	549
Change in fair value of derivative components of Convertible Notes	4	—	—	4
Change in fair value of options/commitment to issue Convertible Notes	16	—	—	16
Equity-settled share-based payment expenses	20,858	—	—	20,858
Change in fair value of derivative components of GIC Convertible Bonds	12,939	—	—	12,939
Reversal of impairment loss on property, plant and equipment	(9,000)	—	—	(9,000)
Impairment loss on consideration receivable	9,750	—	—	9,750
Gain on disposal of property, plant and equipment	(220)	—	—	(220)
Share of results of joint venture	24,754	—	—	24,754
Loss on disposal of a subsidiary	—	—	5,328	5,328
Effect of foreign exchange rate changes	8,802	(9,171)	—	(369)
Changes in working capital:				
Trade and other receivables	(2,838)	(1,525)	—	(4,363)
Trade and other payables	(11,603)	16,487	—	4,885
Amount due to a joint venture	(23)	—	—	(23)
Amount due to an intermediate holding company	—	(121)	—	(121)
Amount due to a fellow subsidiary	—	(888)	—	(888)
Cash used in operations	(37,592)	17,789	—	(19,803)
Bank interest received	28	(2)	—	26
Interest paid	(58,244)	54,910	—	(3,334)
Net cash used in operating activities	(95,808)	72,697	—	(23,111)

	The Group for the year ended 31 December 2018	Pro forma adjustments		Pro forma Remaining Group for the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 6)*	*(Note 5)*	
INVESTING ACTIVITIES				
Deposits paid for acquisition of property, plant and equipment	(2,610)	—	—	(2,610)
Disposal of subsidiaries	—	—	(120)	(120)
Payment for construction in progress	(2,538)	2,538	—	—
Purchase of property, plant and equipment	(169,964)	—	—	(169,964)
Net cash used in investing activities	(175,112)	2,538	(120)	(172,694)
FINANCING ACTIVITIES				
New bank and other borrowings raised	210,903	(194,903)	—	16,000
Repayment of bank and other borrowings	(141,621)	118,621	—	(23,000)
Proceeds from issue of Convertible Notes	2,500	—	—	2,500
Proceeds from issue of Convertible Bonds Due 2021	17,440	—	—	17,440
Proceeds from issue of GIC Convertible Bonds	98,778	—	—	98,778
Proceeds from issue of shares on placing	97,464	—	—	97,464
Redemption of Convertible Notes	(2,056)	—	—	(2,056)
Net cash from financing activities	283,408	(76,282)	—	207,126
Net increase in cash and cash equivalents	12,488	(1,047)	(120)	11,321
Cash and cash equivalents at beginning of the reporting period	5,968	(120)	120	5,968
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	18,456	(1,167)	—	17,289

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2019 is extracted from the Company's published interim report for the six months ended 30 June 2019 while the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 are extracted from the published annual report of the Company for the year ended 31 December 2018.

2. The adjustment reflects the exclusion of the assets and liabilities of the China Railway Group as if the Proposed Disposal had been completed on 30 June 2019. The assets and liabilities of the China Railway Group as at 30 June 2019 are extracted from the unaudited consolidated statement of financial position of the China Railway Group as at 30 June 2019 as set out in Appendix II to the Circular.

3. The calculation of the estimated gain on the Proposed Disposal to be recognised in profit or loss, as if the Proposed Disposal had been completed on 30 June 2019, is as follows:

	Notes	*HK$'000*
Consideration	(i)	—
Less: Shareholder loan due from the China Railway Group to be waived	(ii)	(463,719)
Add: Net liabilities of the China Railway Group attributable to the owners of China Railway as at 30 June 2019		511,710
		47,991
Less: Estimated direct transaction costs and professional fees	(iii)	(3,000)
Gain on the Proposed Disposal as if the Proposed Disposal had been completed on 30 June 2019, net of estimated direct transaction costs and professional fees		44,991

Notes:

(i) Amount represents the total consideration for the Proposed Disposal of RMB1.00 in accordance with the conditional sale and purchase agreement signed between Falcon Power Holdings Limited and the Company on 29 August 2019 (the "Agreement").

(ii) Pursuant to the Agreement, the amounts due to the Remaining Group in the books of China Railway Group will be waived.

(iii) Amount represents the best estimates of the direct transaction costs and professional fees in relation to the Proposed Disposal amounting to HK$3,000,000 by the directors of the Company.

Actual gain arising from the Proposed Disposal depends on final adjustment to the consideration, actual amount of net assets of the China Railway Group, actual transaction costs and professional fees incurred up to the date of completion of the Proposed Disposal. Therefore, the actual gain shall be different from the amount calculated in the above table.

4. The adjustment reflects the exclusion of the loss of the China Railway Group of approximately HK$72,099,000 for the year ended 31 December 2018, which was extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the China Railway Group for the year ended 31 December 2018 as set out in Appendix II to the Circular.

5. The adjustment is not expected to have a continuing effect on the Remaining Group. The calculation of the estimated loss on the Proposed Disposal to be recognised in profit or loss, as if the Proposed Disposal had been completed on 1 January 2018, is as follows:

	Notes	*HK$'000*
Consideration	(i)	—
Less: Shareholder loan due from the China Railway Group to be waived	(ii)	(462,552)
Add: Net liabilities of the China Railway Group attributable to the owners of China Railway as at 1 January 2018		460,224
		(2,328)
Less: Estimated direct transaction costs and professional fees	(iii)	(3,000)
Loss on the Proposed Disposal as if the Proposed Disposal had been completed on 1 January 2018, net of estimated direct transaction costs and professional fees		(5,328)

Notes:

(i) Amount represents the total consideration for the Proposed Disposal of RMB1.00 in accordance with the Agreement.

(ii) Pursuant to the Agreement, the amounts due to the Remaining Group in the books of China Railway Group will be waived.

(iii) Amount represents the best estimates of the direct transaction costs and professional fees in relation to the Proposed Disposal amounting to HK$3,000,000 by the directors of the Company.

Actual loss arising from the Proposed Disposal depends on final adjustment to the consideration, actual amount of net assets of the China Railway Group, actual transaction costs and professional fees incurred up to the date of completion of the Proposed Disposal. Therefore, the actual loss shall be different from the amount calculated in the above table.

An analysis of the net outflow of cash and cash equivalents in respect of the Proposed Disposal is as follows:

	Notes	*HK$'000*
Cash consideration		—
Cash and cash equivalents disposed of	(iv)	(120)
		(120)

Notes:

(iv) The amount is extracted from the unaudited consolidated statement of financial position of the China Railway Group as at 1 January 2018 as set out in Appendix II to the Circular.

6. The adjustment reflects the exclusion of the cash flows of the China Railway Group for the year ended 31 December 2018, which are extracted from the unaudited consolidated statement of cash flows of the China Railway Group for the year ended 31 December 2018 as set out in Appendix II to the Circular.

7. The above pro forma adjustments will have no continuing effect on the Remaining Group in the subsequent reporting periods.

8. The information contained in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 as set out in section C does not constitute the Company's specified financial statements as defined in section 436 of the Hong Kong Companies Ordinance (the "HKCO"), but is derived therefrom.

   The Company has delivered the specified financial statements to the Registrar of Companies as required by the HKCO. The Company's auditor had disclaimed their opinion and included a statement under section 407(3) of the HKCO in their auditor's report on the specified financial statements of the Company for the year ended 31 December 2018.

II. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

MAZARS

MAZARS CPA LIMITED
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The Board of Directors
Asia Energy Logistics Group Limited
Room 2404, 24/F., Wing On Centre
111 Connaught Road Central
Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia Energy Logistics Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018, and related notes as set out on pages III-1 to III-10 of the circular in connection with the proposed disposal of the equity interest of China Railway Logistic Holdings Limited ("**China Railway**" or the "**Disposal Company**") (the "**Proposed Disposal**") dated 25 October 2019 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part I of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Disposal on the Group's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended 31 December 2018 as if the Proposed Disposal had taken place on 30 June 2019 and 1 January 2018 respectively. As part of this process, information about the Company's consolidated financial position as at 30 June 2019 has been extracted by the Directors from the Company's consolidated financial statements for the six months ended 30 June 2019, on which no audit or review report has been published. Information about the Group's consolidated financial performance and cash flows for the year ended 31 December 2018 has been extracted by the Directors from the Company's consolidated financial statements for the year ended 31 December 2018, on which an audit report with disclaimer of opinion has been published.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting accountant's independence and quality control

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 "*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 30 June 2019 and 1 January 2018, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 25 October 2019

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS OF THE REMAINING GROUP

Upon completion of the Disposal, the Target Group will cease to be the subsidiaries of the Company, and the Company will no longer have any equity interest in the Target Group. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for each of the financial years ended 31 December 2018 ("**FY2018**"), 31 December 2017 ("**FY2017**"), 31 December 2016 ("**FY2016**") and the unaudited consolidated financial statements for the six months ended 30 June 2019 (the "**Period of 1H2019**").

Set out below is the management discussion and analysis on the Remaining Group for the Period of 1H2019, FY2018, FY2017, and FY2016.

Business Review

Six months ended 30 June 2019 compared with six months ended 30 June 2018

The total revenue from shipping and logistics business for the Period of 1H2019 amounted to approximately HK$30.1 million which represents an increase of approximately 59.7% as compared to the same period in 2018, mainly as a result of the full year impact of the increase in carrying capacity by the acquisition of MV Clipper Selo and MV Clipper Panorama in April 2018.

The shipping and logistics segment loss of the Remaining Group for the Period of 1H2019 was approximately HK$4.8 million as compared to a segment profit of approximately HK$5.5 million for the same period in 2018. The deterioration in the segment performance of the Remaining Group was mainly due to unsatisfactory performance of the JV Company. The vessels under the JV Company are restricted to be operating within the territory of China and such weak performance of the JV Company was mainly attributable to (i) the low charter hire rate in China due to intense competition and (ii) the increasing operating cost.

Year ended 31 December 2018 compared with year ended 31 December 2017

The revenue from shipping and logistics business for FY2018 amounted to approximately HK$50.7 million which represents an increase of approximately 220.8% as compared to FY2017, mainly as a result of the increase in charter rate and the additional contribution made by the acquisition of MV Clipper Selo and MV Clipper Panorama in April 2018.

The shipping and logistics segment loss of the Remaining Group for FY2018 was approximately HK$31.1 million as compared to a segment profit of approximately HK$19.5 million for FY2017. The deterioration in the segment performance of the Remaining Group was mainly due to unsatisfactory performance of the JV Company. The vessel under the JV Company is restricted to be operating within the territory of China and such weak performance of the JV Company was mainly attributable to (i) the low charter hire rate in China due to intense competition and (ii) the increasing operating cost.

Year ended 31 December 2017 compared with year ended 31 December 2016

The revenue from shipping and logistics business for FY2017 amounted to approximately HK$15.8 million which represents an increase of approximately 52.0% as compared to approximately HK$10.4 million for FY2016, mainly as a result of the increase in charter rate.

The shipping and logistics segment profit of the Remaining Group for FY2017 was approximately HK$19.5 million as compared to a segment loss of approximately HK$1.2 million for FY2016. The improvement in the segment performance of the Remaining Group was mainly due to the recovery of the shipping market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The net liabilities value of the Remaining Group as at 31 December 2016, 2017, 2018 and 30 June 2019 were approximately HK$85.2 million, HK$92.6 million, HK$27.8 million and HK$50.3 million, respectively.

The total assets of the Remaining Group as at 31 December 2016, 2017, 2018 and 30 June 2019 were approximately HK$60.9 million, HK$59.8 million, HK$238.8 million and HK$236.4 million, respectively.

The total liabilities of the Remaining Group as at 31 December 2016, 2017, 2018 and 30 June 2019 were approximately HK$146.2 million, HK$152.4 million, HK$266.6 million and HK$286.7 million, respectively.

The cash and cash equivalents of the Remaining Group denominated in Hong Kong Dollars and United States Dollars as at 31 December 2016, 2017, 2018 and 30 June 2019 were approximately HK$7.1 million, HK$5.8 million, HK$17.3 million and HK$7.7 million, respectively.

The total borrowings of the Remaining Group as at 31 December 2016, 2017, 2018 and 30 June 2019 were approximately HK$8.4 million, HK$16.0 million, HK$8.6 million and HK$16.0 million, respectively.

As at 30 June 2019, the carrying interest of unsecured loans of the Remaining Group of approximately HK$16.0 million on a fixed rate basis ranged from 8% to 18% per annum with contracted terms of repayment ranging from on demand to 6 months. The unsecured loans of HK$7.5 million and HK$8.5 million were denominated in Hong Kong Dollars and Renminbi respectively.

As at 31 December 2018, the carrying interest of unsecured loans of the Remaining Group of approximately HK$8.6 million on a fixed rate basis is 8% per annum with contracted terms of 1 year. The unsecured loans were denominated in Renminbi.

As at 31 December 2017, the carrying interest of unsecured loans of the Remaining Group of approximately HK$16.0 million on a fixed rate basis ranged from 8% to 18% per annum with contracted terms of repayment ranging from 6 months to 1 year. The unsecured loans of HK$7.0 million and HK$9.0 million were denominated in Hong Kong Dollars and Renminbi respectively.

As at 31 December 2016, the carrying interest of unsecured loans of the Remaining Group of approximately HK$8.4 million on a fixed rate basis is 8% per annum with contract terms of 1 year. The unsecured loans were denominated in Renminbi.

WORKING CAPITAL

Please refer to the section headed "Working Capital Statement" in the Appendix I to this circular for the working capital of the Remaining Group.

FOREIGN EXCHANGE MANAGEMENT

The Remaining Group's assets, liabilities and transactions were mainly denominated in the functional currency of the operations to which the transactions relate, and so the Remaining Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Directors consider that the Remaining Group's currency exchange risk is within acceptable range, and so no hedging devices or other alternatives have been implemented.

GEARING

As at 31 December 2016, 2017, 2018 and 30 June 2019, the gearing ratio of the Remaining Group, which is calculated as net debt (i.e total liabilities less bank balance and cash) divided by adjusted capital (net debt less total deficits), were approximately 258%, 271%, 113% and 122%.

TREASURY POLICIES

The Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings The Remaining Group has always adopted a prudent treasury management policy and places strong emphasis on having funds readily available and accessible and is in a stable liquidity position to cope with daily operations and meet our future development demands for capital.

CAPITAL COMMITMENT

The capital commitment of the Remaining Group as at 31 December 2016, 2017, 2018 and 30 June 2019 were approximately HK$nil, HK$nil, HK$2.1 million and HK$0.9 million, respectively.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

During FY2018, the Remaining Group acquired two vessels, namely MV Clipper Selo and MV Clipper Panorama, at consideration of US$10.3 million and US$10.3 million, respectively.

Except above, the Remaining Group did not have any significant investments, material acquisition or disposal during FY2016, FY2017, FY2018 and the Period of 1H2019 up to the Latest Practicable Date.

CONTINGENT LIABILITIES

The Remaining Group did not have any contingent liabilities as at 31 December 2016, 2017, 2018 and 30 June 2019.

PLEDGE OF ASSETS

As at 31 December 2016 and 2017, no assets of the Remaining Group were pledged.

As at 31 December 2018 and 30 June 2019, the vessels of the Remaining Group with an aggregate carrying amount of HK$163.7 million and HK$160.6 million, respectively, were pledged to convertible bonds holders of the Remaining Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, 2017, 2018 and 30 June 2019, the Remaining Group had 17, 18, 29 and 19 full-time employees, respectively. Staff costs, including directors' remuneration and share option expense, of the Remaining Group for FY2016, FY2017, FY2018 and the Period of 1H2019 were approximately HK$14.4 million, HK$13.8 million, HK$37.2 million and HK$8.1 million, respectively.

The Remaining Group decides the remunerations and compensation payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Remaining Group and individual employees. The Remaining Group also participates in an approved mandatory provident fund scheme for its Hong Kong employees and made contributions to the various social insurance funds for its PRC employees.

LITIGATION

As at the Latest Practicable Date, the Remaining Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Remaining Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Please refer to the section headed "Financial and Trading Prospects of the Remaining Group" in the Appendix I of this circular for the outlook and future prospects of the Remaining Group.

The following is the text of a report prepared for the purpose of incorporation in this circular from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2019 of the market value of 100% equity interest in the Target Group.

ROMA

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25 October 2019

Asia Energy Logistics Group Limited
Room 2404, 24/F,
Wing On Centre,
111 Connaught Road Central,
Hong Kong

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in China Railway Logistic Holdings Limited

In accordance with the instructions from Asia Energy Logistics Group Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 100% equity interest in China Railway Logistic Holdings Limited and its subsidiaries (hereinafter together referred to as the "**Target Group**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 June 2019 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Target Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 351.HK). In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose.

3. ECONOMIC OVERVIEW

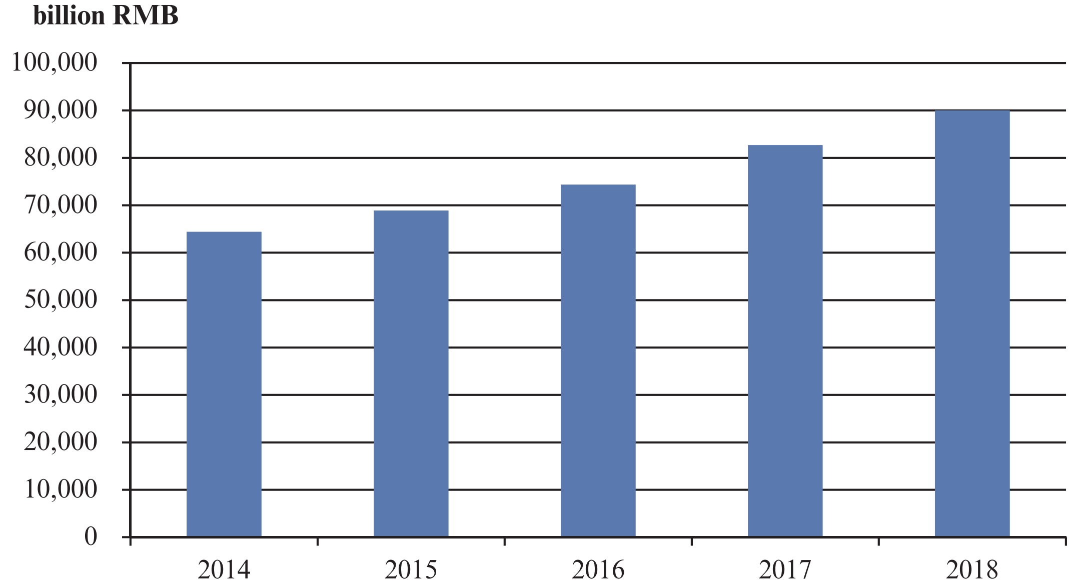
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in June 2019 was RMB45,093 billion, a year over year nominal increase of 8.1% comparing to 2018 June. China was the largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2019. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2014 to 2018, compound annual growth rate of China's nominal GDP was 8.7%. An upward trend of China's nominal GDP was observed. Figure 1 illustrates the nominal GDP of China from 2014 to 2018.

Figure 1 — China's Nominal GDP from 2014 to 2018

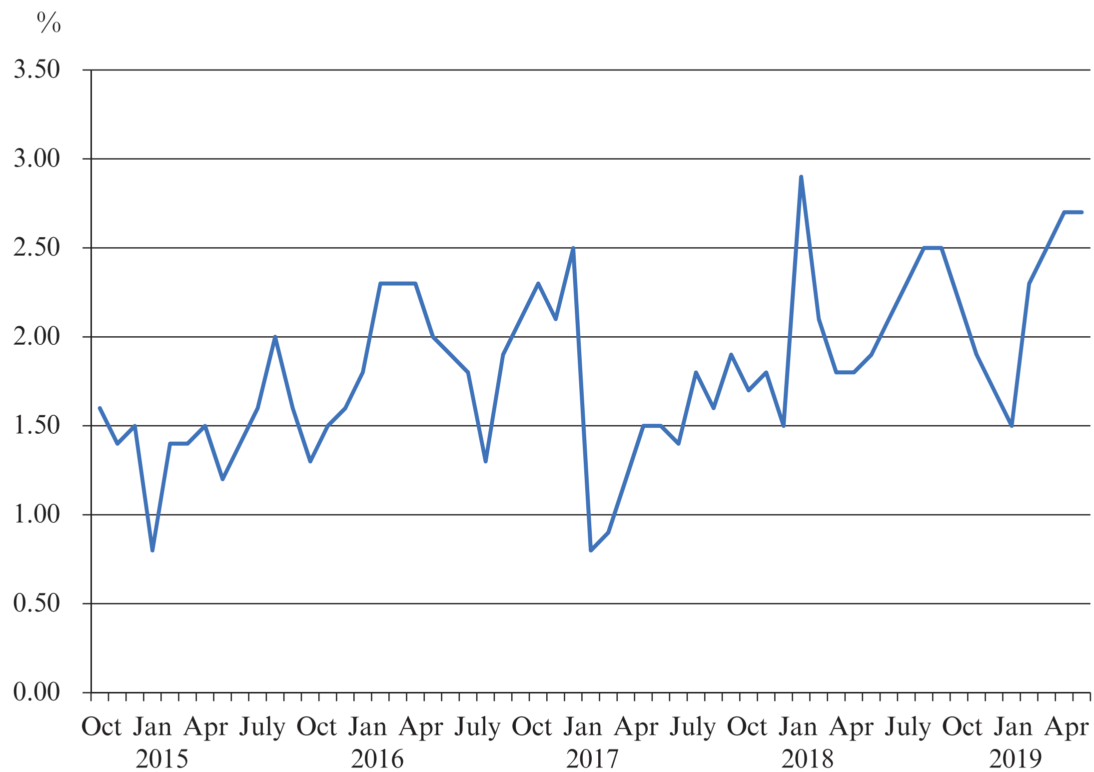


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("**CPI**") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the year-over-year change in CPI dropped to 1.5% in December 2014. During first half of 2015, the year-over-year change in CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half of 2015. In 2016, the year-over-year change in CPI dropped from 2.3% in January to 1.3% in August, but rose in the later months and arrived at 2.1% in December. In 2017, the year-over-year change in CPI dropped from 2.5% in January to 0.8% in February and increased to 1.8% in December. In 2018, the year-over-year change in CPI reached its peak at 2.9% in February but fluctuated around 1.8% to 2.1% in the middle of the year, it then rose again to 2.5% in September and fell back to 1.9% in December. The figure in 2019 started out low at 1.5% in February, yet it was increased drastically in March to 2.3%, the increasing trend continued till June where the figure stayed as high as 2.7%. Figure 2 shows the year-over-year change in CPI of China from October 2014 to June 2019.

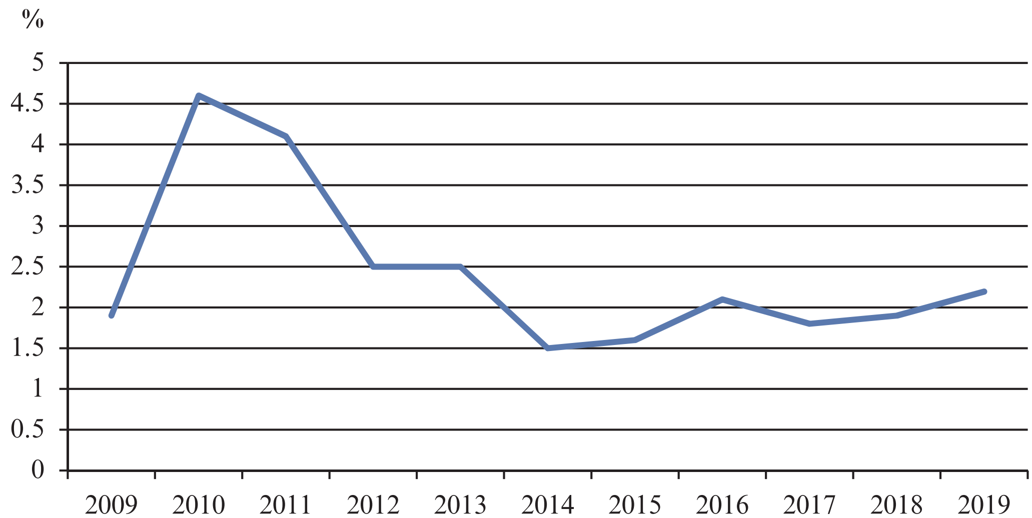
Figure 2 — Year-over-year Change in China's CPI from October 2014 to June 2019



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. The inflation rate has been fluctuating in recent years. It started to climb in 2015 and 2016 from 1.6% to 2.1%, then decreased in 2017 to 1.8%, eventually reaching 1.9% in 2018. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2009 to 2019.

Figure 3 — China's Inflation Rate from 2009 to 2019



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

Summary of China's Rail Investment/Operating Mileage/Passenger/Freight Volume

	2016	**2017**	**2018**
Fixed Asset Investment *(billions)*	$117.0	$121.1	$117
Operating Mileage *(kilometers)*	124,000	127,000	131,000
Passenger Traffic Volume *(billions)*	2.8	3.1	3.4
Freight Volume *(billion tons)*	3.3	3.7	4.0

(Source: National Railway Administration of China website and South China Morning Post)

Railway transportation continues to play a key role in China's economic development. In 2018, China's railway operating mileage reached 131,000 kilometers, ranking second after the United States, while its high-speed railway operating mileage reached 29,000 kilometers, ranking first worldwide. China plans to have 150,000 kilometers of operating rail lines by 2020.

China's double-track mileage reached 76,000 kilometers, an increase of 5.6% over 2017; and the double-track rate is 58%, 2.6% higher than 2017. China has 92,000 kilometers of electrified railway and an electrification rate of 70%, an increase of 1.8% over 2017. Railway mileage in western China grew to 53,000 kilometers, an increase of 1,000 kilometers or 1.9% over 2017. The volume of goods transported by railway increased every year from 2016 to 2018.

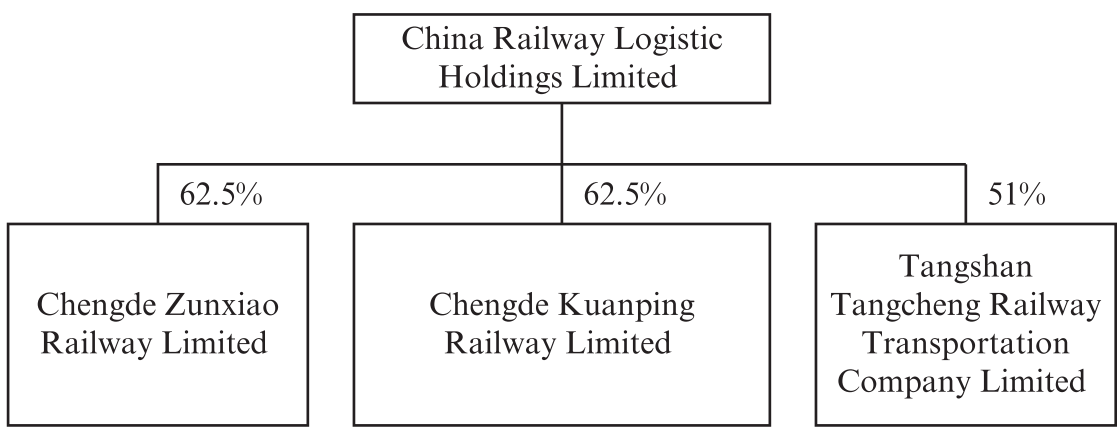
China has 21,000 locomotives of which 38% are diesel and 62% are electric. China has 72,000 passenger cars and 830,000 freight cars, which is a freight car increase of 66,000 over 2017. China plans to continue to invest heavily in new rolling stock through 2020 with 900 new high-speed trains, 4,000 locomotives, and 210,000 freight wagons on order.

In the freight rail market, according to China's National Railway Administration (NRA), by 2020 China plans to grow its railway freight volume to 4.2 billion tons. To achieve this goal, Chinese railway authorities and operational organizations are seeking new technologies and services to continue to improve cargo shipping efficiency and lower operating costs. By 2020, China's urban rail transit market is expected to have a total of 7,700 km of urban rail lines.

5. OVERVIEW OF THE TARGET GROUP

The Target Group is principally engaged in the railway construction and operations and shipping and logistics businesses.

The organizational structure of the Target Group is as follows:



6. BASIS OF VALUATION

Our valuation is conducted on market value basis defined as follows. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and the industry the Target Group is participating as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and the ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group;
- The financial condition of the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analysing indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8.4 Business Valuation

In the process of valuing the Target Group, we have taken into account of the operation, financial information and nature of the Target Group.

The Market-Based Approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were unavailable. The Income-Based Approach was also not adopted as financial forecast with concrete business plan of the Target Group was uncertain. We have therefore considered the adoption of the Asset-Based Approach in arriving at the market value of the Target Group.

8.4.1 Prepayment, Other Receivables, Cash and Cash Equivalents and Railway Construction Prepayment

After discussion with the Management and analysing the nature of prepayment, other receivables, cash and cash equivalents and railway construction prepayment, we have adopted the book values as the market value as at the Date of Valuation.

8.4.2 Inter-Company Current Account Balances

The market values shall be determined by the present value of the amounts to be received at appropriate current interest rates, less allowance for uncollectibility and collection costs, if necessary, in valuing beneficial contracts and other identifiable assets. Discounting is not required for short-term receivables, beneficial contracts and other identifiable assets when the difference between the nominal and discounted amounts is not material.

As advised by the Management, the following inter-company current account balances are assumed to be unrecoverable thus shall have no market value. The details of the inter-company current account balances are shown as follows:

Inter-Company Current Account Balances	Book Value	Market Value
	HKD'000	*HKD'000*
Gofar Holdings Ltd.	16	—
Top Fast Holdings Ltd.	16	—

8.4.3 Property, Plant and Equipment and Construction in Progress

There are three recognised and accepted approaches to value the property, plant and equipment and construction in progress, namely market data or comparative sales approach, cost approach (depreciated replacement cost approach), and income or earnings approach.

8.4.3.1 Market Data or Comparative Sales Approach

This considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative assets for which there is established market comparable appraised by this approach.

8.4.3.2 Cost Approach (Depreciated Replacement Cost Approach)

The cost approach considers the cost to reproduce or replace in new condition the Assets appraised in accordance with current market prices for similar assets or by making reference to the purchase price of similar assets, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present (if applicable), whether arising from physical, functional or economic cause. The cost approach generally furnishes the most reliable indication of value for assets with specific purpose and without known used market.

8.4.3.3 Income or Earnings Approach

This is a technique in which the estimated stream of future benefits may be enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

8.4.3.4 Conclusion

In the course of our valuation, all three approaches should be considered, as one or more approaches may be applicable in the valuation of the property, plant and equipment and construction in progress. Due to the specialized purpose-built nature of the assets with specific requirements designed for railway facilities and the lack of known used market as mentioned above, and on the basis that the assets valued were construction in progress, and that they would not be possible to realize full capability in their specified condition without extensive further construction. The cost approach would be appropriate for valuing the assets. To conclude, we have adopted the cost approach for the property, plant and equipment and construction in progress as it is the most appropriate approach for the items.

Site inspection of the property, plant and equipment and construction in progress was performed. We have assumed the mentioned assets are kept in reasonable condition and should be capable of operating the purpose for which they were designed and produced.

In addition, our valuation has been prepared based upon assumptions that the property, plant and equipment and construction in progress will continue in the existing uses.

8.4.4 Construction Payables and Other Payables

The market values shall be determined by the present value of amounts to be disbursed in settling the liabilities determined at appropriate current interest rates. However, discounting is not required for short-term liabilities when the difference between the nominal and discounted amounts is not material.

8.4.5 Bank Loan, Other Borrowings and Amount due to Minority Equity Owners of a Subsidiary

After discussion with the Management and analysing the nature of bank loan, other borrowings and amount due to minority equity owners of a subsidiary, we have adopted the book values as the market values as at the Date of Valuation.

9. CALCULATION DETAILS

Details of the market values of the assets and liabilities of the Target Group as at the Date of Valuation are as follows:

	Book Value	Adjustment	Market Value
	HKD'000	*HKD'000*	*HKD'000*
Current Assets			
Prepayment and Other Receivables	335	—	335
Inter-Company Current Account Balance			
Asia Energy Logistics Group Ltd.	(99,623)	—	(99,623)
CSCP Management Ltd.	(6,208)	—	(6,208)
Gofar Holdings Ltd.	16	(16)	—
Sharprise Holdings Ltd.	(357,920)	—	(357,920)
Top Fast Holdings Ltd.	16	(16)	—
Cash and Cash Equivalents	770	—	770
Total Current Assets	**(462,614)**	**(32)**	**(462,646)**
Non-Current Assets			
Property, Plant and Equipment*	1,894	(985)	909
Construction in Progress*	1,595,982	(115,342)	1,480,641
Prepayment for Construction	4,756	—	4,756
Total Non-Current Assets	**1,602,633**	**(116,327)**	**1,486,306**
Total Assets	**1,140,019**	**(116,359)**	**1,023,660**
Current Liabilities			
Construction Payables	(120,508)	—	(120,508)
Other Payables	(18,680)	—	(18,680)
Bank Loan	(884,419)	—	(884,419)
Other Borrowings	(759,560)	—	(759,560)
Amount Due to Minority Equity Owners of a Subsidiary	(8,315)	—	(8,315)
Total Current Liabilities	**(1,791,482)**	**—**	**(1,791,482)**
Total Liabilities	**(1,791,482)**	**—**	**(1,791,482)**
Net Asset Value	**(651,463)**	**(116,359)**	**(767,822)**

Note: The totals may not sum up due to rounding.

* *The market value of Property, Plant and Equipment and Construction in Progress are valued by the cost approach that based on its replacement cost of the assets with the adjustments factors such as current physical condition and economic obsolescence.*

10. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The unaudited management accounts of the Target Group as at the Date of Valuation can reasonably represent its financial position since audited financial statements as at the Date of Valuation were not available;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate were assumed to be successfully obtained and renewable upon expiry with minimal costs;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but were not necessarily limited to, the following:

- The business nature of the Target Group;
- Unaudited management accounts of the Target Group;
- Historical information of the Target Group;
- Economic outlook in China; and
- General descriptions in relation to the Target Group.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Group provided to us.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownerships of the Target Group were in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the businesses as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group, and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group and their associated companies, or the values reported herein.

14. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the market value of 100% equity interest of the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as no economic value.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Act/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 20 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 12 years' experience in valuation of projects in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Approximate percentage of Shareholding *(Note 1)*
Mr. Liang Jun	Beneficial Owner	—	10,302,010 *(Note 2)*	10,302,010	2.08%
Mr. Fu Yongyuan	Beneficial Owner	—	28,502,014 *(Note 3)*	28,502,014	5.75%
Mr. Wu Jian	Corporate Interest and Beneficial Owner	—	19,000,000 *(Note 4)*	19,000,000	3.83%
Mr. Yu Baodong	Beneficial Owner	—	15,102,010 *(Note 5)*	15,102,010	3.04%
Mr. Chan Chi Yuen	Beneficial Owner	—	1,360,000 *(Note 6)*	1,360,000	0.27%
Mr. Wong Cheuk Bun	Beneficial Owner	—	1,360,000 *(Note 6)*	1,360,000	0.27%
Mr. Wong Yin Shun	Beneficial Owner	—	1,160,000 *(Note 7)*	1,160,000	0.23%

Notes:

(1) The approximate percentage of shareholding was calculated based on the number of Shares in issue of 495,975,244 Shares as at the Latest Practicable Date.

(2) These are options granted by the Company to the Director on 21 April 2011 and 16 April 2018 under the 2008 Share Option Scheme (the "**2008 Share Option Scheme**") and 29 August 2018 and 4 July 2019 under the 2018 Share Option Scheme (the "**2018 Share Option Scheme**"), respectively. 1,000,000 options can be exercised by the Director at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK$8.40 per Share (as adjusted as a result of the Share Consolidation). 902,010 options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK$0.716 per Share (as adjusted as a result of the Share Consolidation) whilst 4,200,000 options can be exercised by the Director at an exercise price of HK$0.488 per Share (as adjusted as a result of the Share Consolidation) during the period from 29 August 2018 to 28 August 2028. 4,200,000 options can be exercised at an exercise price of HK$0.455 per Share (as adjusted as a result of the Share Consolidation) by the Director during the period from 4 July 2019 to 3 July 2029.

(3) These are options granted by the Company to the Director granted on 16 April 2018 under the 2008 Share Option Scheme and 29 August 2019 and 4 July 2019 under the 2018 Share Option Scheme, respectively. 4,902,014 options can be exercised by the Director from 16 April 2018 to 15 April 2028 at an exercise price of HK$0.716 per Share (as adjusted as a result of the Share Consolidation) whilst 9,400,000 options can be exercised by the Director at an exercise price of HK$0.488 per Share (as adjusted as a result of the Share Consolidation) during the period from 29 August 2018 to 28 August 2028. 14,200,000 options can be exercised at an exercise price of HK$0.455 per Share (as adjusted as a result of the Share Consolidation) by the Director during the period from 4 July 2019 to 3 July 2029.

(4) 4,800,000 options were granted by the Company to Chatwin Capital Services Limited ("**Chatwin**"), 51% of which is beneficially owned by the Director, on 29 August 2018 under the 2018 Share Option Scheme. As such, the Director is deemed to be interested in these 4,800,000 options, which can be exercised by Chatwin at an exercise price of HK$0.488 per Share (as adjusted as a result of the Share Consolidation) during the period from 29 August 2018 to 28 August 2028. 14,200,000 options were granted to the Director under the 2018 Share Option Scheme on 4 July 2019, which can be exercised at an exercise price of HK$0.455 per Share (as adjusted as a result of the Share Consolidation) by the Director during the period from 4 July 2019 to 3 July 2029.

(5) These are options granted by the Company to the Director on 21 April 2011 and 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 and 4 July 2019 under the 2018 Share Option Scheme, respectively. 1,000,000 options can be exercised by the Director at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK$8.40 per Share (as adjusted as a result of the Share Consolidation). 902,010 options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK$0.716 per Share (as adjusted as a result of the Share Consolidation) whilst 9,000,000 options can be exercised by the Director at an exercise price of HK$0.488 per Share (as adjusted as a result of the Share Consolidation) during the period from 29 August 2018 to 28 August 2028. 4,200,000 options can be exercised at an exercise price of HK$0.455 per Share (as adjusted as a result of the Share Consolidation) by the Director during the period from 4 July 2019 to 3 July 2029.

(6) These are options granted by the Company to the Directors on 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 and 4 July 2019 under the 2018 Share Option Scheme, respectively. 400,000 options can be exercised by the Directors during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK$0.716 per Share (as adjusted as a result of the Share Consolidation) whilst 480,000 options can be exercised by the Directors at an exercise price of HK$0.488 per Share (as adjusted as a result of the Share Consolidation) during the period from 29 August 2018 to 28 August 2028. 480,000 options can be exercised at an exercise price of HK$0.455 per Share (as adjusted as a result of the Share Consolidation) by the Directors during the period from 4 July 2019 to 3 July 2029.

(7) These are options granted by the Company to the Director on 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 and 4 July 2019 under the 2018 Share Option Scheme, respectively. 200,000 options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK$0.716 per Share (as adjusted as a result of the Share Consolidation) whilst 480,000 options can be exercised by the Directors at an exercise price of HK$0.488 per Share (as adjusted as a result of the Share Consolidation) during the period from 29 August 2018 to 28 August 2028. 480,000 options can be exercised at an exercise price of HK$0.455 per Share (as adjusted as a result of the Share Consolidation) by the Director during the period from 4 July 2019 to 3 July 2029.

Save as disclosed above, as at the Latest Practicable Date, as far as the Board was aware, none of the Directors had or were deemed to have any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest of substantial shareholders of the Company

As at the Latest Practicable Date, so far as it was known to the Directors, the following person(s), other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of Shareholding *(Note 4)*
Mr. Wong Kin Ting (“**Mr. Wong**“)	Interest of controlled corporations	91,059,406 *(Note 1)*	18.36%
Mr. Zhu Gongshan (“**Mr. Zhu**”)	Beneficiary of a discretionary trust & interest of controlled corporations	42,749,000 *(Note 2)*	8.62%
Credit Suisse Trust Limited (“**CST**”)	Trustee	40,000,000 *(Note 3)*	8.06%

Notes:

(1) According to the individual substantial shareholder notice filed by Mr. Wong, Mr. Wong was deemed to be interested in 91,059,406 Shares (as adjusted as a result of the Share Consolidation) through his interests in the following corporations which are 100% owned by him:

(i) 5,900,000 Shares (as adjusted as a result of the Share Consolidation) held by Delight Assets Management Limited; and

(ii) 85,159,406 (as adjusted as a result of the Share Consolidation) Shares held by King Castle Enterprises Limited.

(2) According to the individual substantial shareholder notice filed by Mr. Zhu, Mr. Zhu was deemed to be interested in 42,749,000 Shares (as adjusted as a result of the Share Consolidation) that comprised:

(i) 40,000,000 Shares (as adjusted as a result of the Share Consolidation) indirectly held by Asia Pacific Energy Fund, a trust fund to which Mr. Zhu is both a founder and a beneficiary, details of which are described in Note 3 below; and

(ii) 2,749,000 (as adjusted as a result of the Share Consolidation) Shares directly held by Profit Act Limited, which is indirectly controlled by Mr. Zhu.

(3) According to the corporate substantial shareholder notice filed by CST, CST was deemed to be interested in 40,000,000 Shares (as adjusted as a result of the Share Consolidation) in its capacity as the trustee of these Shares. These 40,000,000 Shares (as adjusted as a result of the Share Consolidation) were beneficially owned by Fast Sky Holdings Limited which in turn is 100% directly controlled by Golden Concord Group Limited ("**Golden Concord**"). Golden Concord is 100% controlled by Asia Pacific Energy Holdings Limited which in turn is 100% controlled by Asia Pacific Energy Fund Limited ("**APEFL**"). APEFL is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST.

Out of these 40,000,000 Shares (as adjusted as a result of the Share Consolidation), 20,000,000 Shares (as adjusted as a result of the Share Consolidation) are consideration Shares which may be issued (in whole or in part as appropriate) to Golden Concord or its nominee pursuant to an agreement dated 18 December 2009 (as amended by supplemental agreements on 24 December 2009 and 28 April 2010, respectively) in relation to the acquisition of the entire equity interests in Ocean Jade Investments Limited (collectively, the "**Agreements**"). Details of the Agreements are set out in the Company's circular dated 30 April 2010, whereby it was disclosed that the allotment and issue of these 20,000,000 Shares (as adjusted as a result of the Share Consolidation) is subject to the achievement of the profit guarantee as contained in the Agreements.

(4) The approximate percentage of shareholding was calculated based on the number of Shares in issue of 495,975,245 Shares (as adjusted as a result of the Share Consolidation) as at the Latest Practicable Date.

Interests in Contract or Arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.

Interests in Assets

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Service Contracts

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

Interests in Competing Business

As at the Latest Practicable Date, Mr. Chan Chi Yuen ("**Mr. Chan**") is an executive director and chief executive officer of Hong Kong ChaoShang Group Limited (formerly known as Noble Century Investment Holdings Limited) (Stock Code: 2322), a company listed on the Main Board of the Stock Exchange, which has a subsidiary engaging in the vessel chartering business and therefore, Mr. Chan is considered to have interests in the businesses which compete or may compete with the businesses of the Group and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Given that Mr. Chan is an independent non-executive Director and does not participate in the daily operation of the Group, the Directors believe that any significant competition caused to the business of the Group would be unlikely. Mr. Chan has confirmed he is fully aware of, and has been discharging, his fiduciary duty to the Company to avoid conflict of interest. In situations where any conflict of interests arises, Mr. Chan will refrain from taking part in the decision making process and from voting on the relevant board resolution at the board meeting. Moreover, save for Mr. Chan's interests in the share options granted to him by the Company under the 2008 Share Option Scheme and 2018 Share Option Scheme, he has no interest in any shares of the Company and Hong Kong ChaoShang Group Limited.

Save as disclosed above, each Director has confirmed that so far as he is aware, he and his associates do not have any interests in a business which competes or likely to compete with the Group.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. EXPERTS AND CONSENTS

The qualification of the expert who has given opinions and advice in this circular is as follows:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Lego Corporate Finance Limited	Independent Financial Adviser
Roma Appraisals Limited	Independent Valuer

As at the Latest Practicable Date, each of Mazars CPA Limited, Lego Corporate Finance Limited and Roma Appraisals Limited has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

Each of Mazars CPA Limited, Lego Corporate Finance Limited and Roma Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the Latest Practicable Date and are or may be material:

(i) A placing agreement dated 30 November 2017 entered into between the Company and Taiping Securities (HK) Co., Limited in respect of placing, on a best effort, a total of 184,672,206 shares at the price of HK$0.5415 per share (as adjusted as a result of the Share Consolidation);

(ii) A subscription agreement dated 30 November 2017 entered into between the Company and GIC Investment Limited in respect of subscribing convertible bonds with aggregate principal amount of up to HK$100,000,000 at the conversion price of HK$0.8505 per conversion share (as adjusted as a result of the Share Consolidation);

(iii) The memorandum of agreement dated 23 January 2018 and entered into between Laurel Gold Shipping Limited and CFCL Handy Clip III LLC in relation to the acquisition of a vessel namely M.V. “Clipper Selo” at a consideration of US$10.3 million;

(iv) The memorandum of agreement dated 23 January 2018 and entered into between Lotus Gold Shipping Limited and CFCL Handy Clip IV LLC in relation to the acquisition of a vessel namely M.V. “Clipper Panorama” at a consideration of US$10.3 million;

(v) A placing agreement dated 4 September 2018 entered into between the Company and VC Brokerage Limited in respect of placing of convertible bonds in the aggregate principal amount up to HK$46,000,000 at the conversion price of HK$0.466 per conversion share (as adjusted as a result of the Share Consolidation);

(vi) A placing agreement dated 25 June 2019 entered into between the Company and VC Brokerage Limited in respect of placing of convertible bonds in the aggregate principal amount up to HK$60,000,000 at the conversion price of HK$0.30 per conversion share (as adjusted as a result of the Share Consolidation);

(vii) A supplemental placing agreement dated 13 September 2019 entered into between the Company and VC Brokerage Limited in respect of the extension of the placing period to 4 October 2019 and the longstop date to 31 October 2019 with regards to the placing agreement dated 25 June 2019 as set out under (vi) above;

(viii) A deed of amendment dated 17 September 2019 entered into between the Company and GIC Investment Limited in respect of CB instrument of HK$100,000,000 convertible bonds due 2021;

(ix) The Agreement; and

(x) The second supplemental placing agreement dated 4 October 2019 entered into between the Company and VC Brokerage Limited in respect of the extension of the placing period to 25 October 2019 and the longstop date to 15 November 2019 with regards to the placing agreement dated 25 June 2019 as set out under (vi) above.

6. GENERAL

(a) The registered office of the Company is situated at Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

(b) The share registrar of the Company is Tricor Secretaries Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Ms. Wong Shuk Ha, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in The United Kingdom.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong during 10:00 a.m. to 4:00 p.m. on any Business Day from the date of this circular up to and including the date of the General Meeting:

(a) the articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 5 to 17 of this circular;

(c) the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;

(d) the review report on the unaudited consolidated financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(f) the valuation report prepared by the Independent Valuer in relation to the Target Group, the text of which is set out in Appendix V to this circular;

(g) the Project Engineering Report;

(h) the valuation report prepared by independent professional valuer in relation to the volume and fair value of the reserve of the iron ore together with relevant affected assets of the overlaid mine;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(j) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(k) the letter from the Independent Board Committee;

(l) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and

(m) this circular.

亞洲能源物流
ASIAENERGY
Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the "**General Meeting**") of the abovementioned company (the "**Company**") will be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Monday, 11 November 2019 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement (the "**Agreement**", a copy of which has been produced to the General Meeting marked "A" and initialled by the chairman of the General Meeting for the purpose of identification) dated 29 August 2019 and entered into among Top Fast Holdings Limited as vendor, Falcon Power Holdings Limited as purchaser, the Company as the guarantor to the vendor and Golden Concord Holdings Limited as the guarantor to the purchaser in relation to the sale and purchase of the 100% equity interest in China Railway Logistic Holdings Limited at a consideration of RMB1.00 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the directors (the "**Directors**") of the Company be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement or any of the transactions contemplated thereunder and to make and approve such amendments to the Agreement as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient in connection therewith."

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

Hong Kong, 25 October 2019

Registered office:
Room 2404, 24/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Notes:

1 A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares in the Company may appoint more than one proxy. A proxy need not be a member of the Company.

2 To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof (as the case may be).

3 Where there are joint holders of any share in the Company, any one of such joint holders may vote at the General Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the General Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4 According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), any vote of members at general meeting of the Company must be taken by poll. Therefore, all proposed resolutions put to vote at the General Meeting will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

5 The register of members of the Company will be closed 5 November 2019 to 11 November 2019, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of shareholders who are entitled to attend and vote at the General Meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. (Hong Kong time) on 4 November 2019.