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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 licensed securities dealer or registered institution 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.

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ASIA ENERGY LOGISTICS GROUP LIMITED

亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

**(I) ISSUE OF NEW SHARES AND CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE;
(II) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR
SPECIAL DEALS;
AND
(III) NOTICE OF GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee



Capitalised 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 7 to 26 of this circular. A letter from the Independent Board Committee is set out on pages 27 to 28 of this circular. A letter from Gram Capital is set out on pages 29 to 53 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 at 11:00 a.m. on Thursday, 9 July 2020 is set out on pages GM-1 to GM-3 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 practicable but in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the General Meeting or any adjournment thereof should you so wish.

17 June 2020

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DEFINITIONS

In this circular, the following expressions have the meanings as set forth below, unless the context otherwise requires:

“2008 Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders on 20 August 2008, which was terminated by the Shareholders on 20 August 2018
“2018 CB”	the 3-year 2.5% per annum non-redeemable convertible bonds due 2021 in an aggregate principal amount of HK\$18,000,000 issued by the Company to 6 placees, who are independent third parties to the Company, on 8 November 2018
“2018 Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders on 20 August 2018
“2019 CB”	the 3-year 2.5% per annum non-redeemable convertible bonds due 2022 in an aggregate principal amount of HK\$42,500,000 issued by the Company to 6 placees, who are independent third parties to the Company, on 14 November 2019
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 27 March 2020 in relation to, among others, the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Wavier and the Special Deals
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	any person who for the time being is the registered holder of the Convertible Bonds
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“CB Instrument”	an instrument constituting the Convertible Bonds to be executed by the Company, as may be amended and/or supplemented from time to time, the format and contents of which to be agreed separately by the Company and the Subscriber to their reasonable satisfaction
“Companies Ordinance”	the Companies Ordinance (Chapter 622 the Laws of Hong Kong)

DEFINITIONS

“Company”	Asia Energy Logistics Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Stock Exchange
“Completion”	the completion of the Subscription
“Completion Date”	within 5 Business Days following the date on which the conditions precedent set out in the Subscription Agreement (except such conditions precedent having been waived) are fulfilled (or waived, if applicable)
“Conversion Price”	HK\$0.16 (subject to adjustments), at which the Bondholder can convert one (1) Conversion Share
“Conversion Share(s)”	the new Shares to be allotted and issued by the Company upon exercise of the conversion rights, the total number of which shall be 300,000,000 Shares, representing approximately 60.49% of the existing issued Shares and approximately 37.69% of the Shares as enlarged by the conversion shares (assuming there is no other new Shares issued by the Company)
“Convertible Bond(s)”	a non-interest bearing convertible bonds in the principal amount of HK\$48,000,000 to be issued by the Company subject to the provisions of the CB Instrument
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“GCL”	GCL-Poly Energy Holdings Limited, a public company with limited liability incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Stock Code: 3800) which indirectly wholly owns the entire issued share capital of GIC
“General Meeting”	the general meeting of the Company to be convened to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals
“GIC”	GIC Investment Limited, an indirect wholly-owned subsidiary of GCL, a bondholder of the GIC CB and a concert party of Mr. Zhu

DEFINITIONS

“GIC CB”	the 5.5% per annum convertible bonds due 2021 in the principal amount of HK\$100,000,000 issued by the Company to GIC on 2 March 2018
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board has been established which comprises of all the independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Chan Sing Fai to recommend the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals
“Independent Shareholders”	Shareholder(s) other than: (i) the Subscriber, Mr. Pang and parties acting in concert with any one of them; (ii) those who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals (including but not limited to Mr. Zhu, Mr. Yeung, Fu Lai, Mr. Chan and VC Holdings and parties acting in concert with any of them); and (iii) those who are required to abstain from voting in the General Meeting to consider and approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals under the Listing Rules and the Takeovers Code
“JV Agreement”	a shareholders’ agreement dated 1 December 2009 (as amended by the first supplemental agreement dated 1 December 2009, the second supplemental agreement dated 1 September 2010 and the third supplemental agreement dated 31 December 2011) entered into between Ocean Jade and Waibert to establish the JV Company

DEFINITIONS

“JV Company”	Ocean Pro Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being held as to 50% by Ocean Jade and as to 50% by Waibert
“JV Group”	the JV Company and its subsidiaries
“Last Trading Day”	6 March 2020, being the last full trading day of the Shares before the release of the Announcement
“Latest Practicable Date”	12 June 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2020
“Mr. Pang”	Mr. Pang Yuet, the ultimate beneficial owner of the Subscriber
“Mr. Zhu”	Mr. Zhu Gongshan, the chairman, an executive director and a substantial shareholder of GCL. An aggregate of 6,370,388,156 shares, representing approximately 32.11% of all the issued shares of GCL. These shares are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, an executive director of GCL and the son of Mr. Zhu Gongshan) as beneficiaries. GIC is a concert party of Mr. Zhu
“Ocean Jade”	Ocean Jade Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Period”	the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of the Company
“Share Consolidation”	the consolidation of every five (5) then existing Shares into one (1) consolidated Share which came into effect from 19 August 2019
“Shareholder(s)”	holder(s) of Shares(s)
“Special Deal(s)”	the repayment to the Shareholders who are the bondholders of the GIC CB, the 2018 CB and the 2019 CB constitutes the special deals under Note 5 to Rule 25 of the Takeovers Code
“Specific Mandate”	the specific mandate to be considered, approved and granted from the Independent Shareholders at the General Meeting to authorize the Board to allot and issue and/or deal in the Subscription Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Oriental Solar Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Pang
“Subscription”	the subscription of the Subscription Shares and the Convertible Bonds by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 March 2020 entered into between the Company and the Subscriber in connection with the Subscription
“Subscription Price”	HK\$0.16 per Subscription Share
“Subscription Shares”	a total of 1,100,000,000 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Substantial Shareholder”	has the meaning given to it in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“VC Brokerage”	VC Brokerage Limited
“VC Holdings”	Value Convergence Holdings Limited

DEFINITIONS

“Waibert”	Waibert Navigation Company Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of GNG Ocean Shipping Company Limited, a company incorporated in the PRC with limited liability and a member of Guangdong Province Navigation Group Co., Ltd.
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber to make a mandatory general offer for all the issued securities of the Company not already owned, controlled or agreed to be acquired by the Subscriber and parties acting in concert with it (if applicable) which may otherwise arise as a result of the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



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. Fu Yongyuan

Mr. Wu Jian

Registered office:

Room 2404, 24/F

Wing On Centre

111 Connaught Road Central

Hong Kong

Non-executive Directors

Mr. Yu Baodong (*Chairman*)

Independent non-executive Directors:

Mr. Chan Chi Yuen

Mr. Wong Cheuk Bun

Mr. Chan Sing Fai

17 June 2020

To the Shareholders,

Dear Sir or Madam,

**(I) ISSUE OF NEW SHARES AND CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE;
(II) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR
SPECIAL DEALS;
AND
(III) NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, on 8 March 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue (i) a total of 1,100,000,000 Subscription Shares at the Subscription Price of HK\$0.16 per Subscription Share; and

LETTER FROM THE BOARD

(ii) the Convertible Bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 Conversion Shares at the initial Conversion Price of HK\$0.16 (subject to adjustments).

The purpose of this circular is to provide you with information on (i) details of the Subscription, the Specific Mandate, the Whitewash Waiver and the Special Deals; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Subscription, the Specific Mandate, the Whitewash Waiver and the Special Deals; (iii) a letter of advice from Gram Capital in relation to the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals; (iv) other information as required under the Listing Rules and the Takeovers Code; and (v) a notice of the General Meeting.

THE SUBSCRIPTION AGREEMENT

The principal terms and conditions of the Subscription Agreement are summarised as follows:

Date: 8 March 2020

Parties: (i) the Company, as issuer; and
(ii) Oriental Solar Group Limited, as Subscriber.
(each a “**Party**”, and collectively, the “**Parties**”)

As at the Latest Practicable Date, the Subscriber and its ultimate beneficial owner are independent of, not connected with and not acting in concert with any of the Directors, the chief executives or the substantial Shareholders of the Company or its subsidiaries or any of their respective associates. The Subscriber, Mr. Pang and parties acting in concert with any one of them do not, as at the Latest Practicable Date, own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

The Subscription Shares and Conversion Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue:

- (i) a total of 1,100,000,000 Subscription Shares at the Subscription Price of HK\$0.16 per Subscription Share; and
- (ii) the Convertible Bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 Conversion Shares at the initial Conversion Price of HK\$0.16 (subject to adjustments).

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 495,975,244 Shares in issue. The Subscription Shares represent approximately 221.79% of the existing total number of Shares in issue and approximately 68.92% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares upon the Completion (assuming that there is no other change in the total number of Shares of the Company). The aggregate of the Subscription Shares and the Conversion Shares represent approximately 282.27% of the existing total number of Shares in issue, and approximately 73.84% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares and the Conversion Shares upon the Completion (assuming that there is no other change in the total number of Shares of the Company).

The Subscription Price and the Conversion Price

The Subscription Price and the Conversion Price, each being HK\$0.16, represent:

- (i) a discount of approximately 3.03% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.98% to the average closing price of HK\$0.172 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 21.95% to the average closing price of HK\$0.205 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.58% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a premium of approximately HK\$0.28 to the audited consolidated net liabilities per Share of approximately HK\$0.12 as at 31 December 2019, calculated based on the Group's audited consolidated net liabilities of HK\$60,966,000 as at 31 December 2019 and the 495,975,244 Shares in issue as at the Latest Practicable Date; and
- (vi) a cumulative theoretical dilution effect (the aggregation of placing of convertible bonds under specific mandate on 25 June 2019 and the Subscription) represented by a discount of approximately 4.55% of the cumulative theoretical diluted price of HK\$0.277 per Share to the benchmarked price of HK\$0.29 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.285 per Share on 25 June 2019 and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days of HK\$0.29 per Share before 25 June 2019).

The net price per Subscription Share or Conversion Share is estimated to be approximately HK\$0.159.

LETTER FROM THE BOARD

The Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and the Subscriber, and with reference to the prevailing market price of the Shares.

Conditions precedent

The Completion is conditional upon the following conditions precedent:

- (i) the Company having obtained all necessary approvals by the Independent Shareholders to approve the Subscription, the Specific Mandate and the Whitewash Waiver;
- (ii) the Company having obtained all necessary consents and approvals in respect of the Subscription as required by the Companies Ordinance, Listing Rules, Takeovers Code and others relevant laws;
- (iii) all necessary consents or waivers which may be required for the Subscription and/or issuance of the Convertible Bonds, the Conversion Shares and/or the Subscription Shares under any existing contractual obligations of the Group having been obtained or waived by relevant third party(ies);
- (iv) the approval for the listing of, and permission to deal in, the Conversion Shares and the Subscription Shares having been granted by the Stock Exchange to the Company;
- (v) the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied;
- (vi) from the date of the Subscription Agreement and until the Completion Date, the trading of the Shares on the Stock Exchange has not been suspended for more than twenty consecutive days, except for any suspension for the purpose of clearing any announcement and circular and/or relevant matters regarding the Subscription and/or relevant matters requested by the Stock Exchange, the Executive and/or relevant regulatory authority;
- (vii) the listing status of the Shares on the Stock Exchange not having been revoked, withdrawn, investigated by the Stock Exchange and/or SFC, or cancelled;
- (viii) the Company having cancelled and revoked all unexercised share options of the Company under the 2008 Share Option Scheme and 2018 Share Option Scheme;
- (ix) the Subscriber being satisfied with the due diligence result of the Group (at the sole discretion of the Subscriber) in relation to the business, financial, compliance, management and other aspects conducted by the Subscriber;
- (x) the representations and warranties by the Company having remained true, accurate and not misleading in all material respects; and

LETTER FROM THE BOARD

- (xi) the representations and warranties by the Subscriber having remained true, accurate and not misleading in all material respects.

Conditions precedent (i) to (v) above cannot be waived by any Parties. Conditions precedent (vi) to (x) above can be waived unilaterally by the Subscriber (but not the Company). Condition precedent (xi) above can be waived unilaterally by the Company (but not the Subscriber). The Parties shall use their best endeavours to procure the fulfilment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before the Long Stop Date (or such later date as may be agreed between the Parties in writing). In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by the Long Stop Date, the Subscriber may immediately terminate the Subscription Agreement and cancel the Subscription.

Reference is made to the Company's announcement dated 29 April 2020, on 21 April 2020, the Company received a letter from GIC that GIC has granted a consent to the Company (the "**GIC Consent**") to complete the Subscription, the issue of the Convertible Bonds and the transactions contemplated thereunder at such terms and conditions as contained in the Subscription Agreement. The Company has undertaken to GIC to use the net proceeds to be raised from the Subscription for the repayment of, among other things, the GIC CB within 5 Business Days after the Completion, by serving the early redemption notice under the terms and conditions of the GIC CB to GIC; and waives the requirement of giving 21-day notice for completion of redemption. GIC agrees and accepts such waiver.

The GIC Consent shall be deemed to be withdrawn immediately and absolutely if (i) the Subscription Agreement is terminated; and (ii) any conditions precedent as set out above (other than conditions precedent (iii) above) cannot be fulfilled or satisfied (except such conditions precedent which are capable of being waived having been waived) by the Long Stop Date.

As at the Latest Practicable Date, the Company has fulfilled the above conditions precedent (iii) and (viii).

Completion

Subject to the fulfilment of the conditions precedent (except such conditions precedent having been waived), Completion shall take place on the Completion Date.

Proposed Change to the Board Composition

Upon Completion, the Board shall approve and appoint (i) not less than three persons to be the directors of the Company and its subsidiaries; and (ii) a person to be the company secretary of the Company. All of them shall be persons nominated by the Subscriber. The Subscriber may further review the composition of the Board and senior management and any appointment to the Board or to the board of directors of the Company's subsidiaries will be executed in accordance with Rule 26.4 of the Takeovers Code.

LETTER FROM THE BOARD

Ranking of the Subscription Shares and the Conversion Shares

The Subscription Shares and the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue.

Mandate to issue the Subscription Shares and the Conversion Shares

The Subscription Shares and the Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the General Meeting.

Application for listing

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares and the Conversion Shares.

Adjustments in relation to other securities of the Company

Given (i) one of the conditions precedent of the Subscription Agreement contained, the Company having cancelled and revoked all unexercised share options of the Company under the 2008 Share Option Scheme and 2018 Share Option Scheme on or before the Long Stop Date; and (ii) the net proceeds of the Subscription will mainly be used for the repayment of the GIC CB, the 2018 CB and the 2019 CB, no adjustment will be made to the share options under the 2008 Share Option Scheme and the 2018 Share Option Scheme, the GIC CB, the 2018 CB and the 2019 CB.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Set out below is a summary of the principal terms of the Convertible Bonds:

Issuer:	The Company
Principal amount:	HK\$48,000,000
Maturity date:	The third anniversary of the date immediately after the initial issue date of the Convertible Bonds (the “ Maturity Date ”)
Interest:	The Convertible Bonds bear no interest.
Conversion Price:	The initial Conversion Price shall be HK\$0.16 per Conversion Share, subject to adjustment provisions as summarised below.

LETTER FROM THE BOARD

**Adjustments of
Conversion
Price:**

The initial Conversion Price shall be adjusted from time to time according to the relevant conditions below.

- (i) If there is an alteration to the par value of the Shares at any time as a result of any consolidation or subdivision.
- (ii) If the Company at any time issues (other than replacing cash dividend) any Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund).
- (iii) If the Company at any time make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries.
- (iv) If the Company at any time offer to Shareholders new Shares for subscription by way of rights, or grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price on the date of the announcement of the terms of the offer or grant.
- (v)
 - (a) If the Company at any time issue securities wholly for cash, and such securities are convertible into or exchangeable for or carry rights of subscription for new Shares according to its terms and conditions, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90% of the market price on the date of the announcement of the terms of issue of such securities.
 - (b) If at any time the rights of conversion or exchange or subscription attached to any such securities as mentioned in section (v) (a) above are modified so that the total Effective Consideration per Share (as defined below) receivable for such securities shall be less than 90% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription.

LETTER FROM THE BOARD

For the purposes of this sub-paragraph (v), the “total Effective Consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, the number of Shares shall be calculated without any deduction for any commissions, discounts or expenses paid.

- (vi) If the Company at any time issue Shares for cash or assets at a price per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue.

**Conversion
Shares:**

Assuming the Conversion Rights (as defined below) are exercised in full at the initial Conversion Price, a total of 300,000,000 Conversion Shares will be allotted and issued.

**Conversion
period:**

The period commencing on the initial issue date of the Convertible Bonds and ending on the Maturity Date (both days inclusive) (the “**Conversion Period**”).

**Conversion
rights:**

The Bondholder shall have the right (the “**Conversion Right**”) to convert the whole or part (must be in multiple of HK\$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares during the Conversion Period.

**Conversion
restrictions:**

The Bondholder shall not exercise any Conversion Right and the Company shall not issue any Conversion Share in the event that the exercise of the Conversion Right by the Bondholder will cause: (1) the public float of the Company being less than 25% of its issued share capital; and/or (2) the Bondholder and/or parties acting in concert with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with Rule 26 of the Takeovers Code (except the Bondholder already acquired the whitewash waiver or undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code to make a general offer) (the “**Conversion Restrictions**”).

LETTER FROM THE BOARD

Redemption on maturity or early redemption:

All Convertible Bonds being not redeemed or converted by the Maturity Date according to the terms in the CB Instrument shall redeem by the Company with same amount of cash as the remaining principal amount of the Convertible Bonds on the Maturity Date. The Company can at any time redeem all or part of the principal amount of the Convertible Bonds which the Conversion Right is not yet exercised (*Note*) by issuing a notice with not less than 2 Business Days before the Maturity Date. For the avoidance of any doubt, under the situation without any events of default specified in the CB Instrument (the “**Events of Default**”) occurs, the Bondholder shall not require the Company to redeem the whole or remaining amount or any part of the principal amount of the Convertible Bonds before the Maturity Date.

Note: The Bondholder can choose to convert upon receipt of the redemption notice from the Company.

Redemption on default:

If any of the Events of Default occurs, the Company shall forthwith give notice to the Bondholder and each Bondholder may (without prejudice to any other rights and remedies available to the Bondholder), opt to issue a notice of redemption to the Company in respect of all or part of the principal amount of the Convertible Bonds held by it, whereupon the Convertible Bonds shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of the Convertible Bonds.

Status:

The Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and shall rank *pari passu* among themselves.

Transferability:

The Convertible Bonds (in whole or part) can be transferred to any person after the initial issue date of the Convertible Bonds upon consent of the Company (such consent shall not be unreasonably withheld or delayed).

Any transfer of the Convertible Bonds shall be in whole (i.e. HK\$48,000,000) or in part (must be in multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement(s)	Event	Net proceeds	Intended use of proceeds	Utilisation of proceeds as at the Latest Practicable Date
25 June 2019, 13 September 2019, 4 October 2019 and 14 November 2019	Placing of convertible bonds under specific mandate	HK\$40,725,000	For loan repayments as to approximately HK\$11,000,000; the daily operations and logistics business development as to approximately HK\$22,225,000; and legal and professional fee as to approximately HK\$7,500,000.	The net proceeds has been fully utilised in accordance with the intended use of proceeds as disclosed.

Save for disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon issuance of the Subscription Shares; and (iii) immediately upon issuance of the Subscription Shares and all Convertible Bonds have been converted, and for (i) to (iii) assuming that there are no outstanding share options and outstanding convertible bonds have been exercised and converted as at the Latest Practicable Date:

	As at the Latest Practicable Date		Immediately upon issuance of the Subscription Shares		Immediately upon issuance of the Subscription Shares and all Convertible Bonds have been converted (for illustrative purposes only and subject to the Conversion Restrictions)	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
Mr. Wong Kin Ting (<i>Note</i>)	91,059,406	18.36%	91,059,406	5.71%	91,059,406	4.80%
The Subscriber, Mr. Pang and parties acting in concert with any one of them	—	—	1,100,000,000	68.92%	1,400,000,000	73.84%
Other public Shareholders	404,915,838	81.64%	404,915,838	25.37%	404,915,838	21.36%
	<u>495,975,244</u>	<u>100.00%</u>	<u>1,595,975,244</u>	<u>100.00%</u>	<u>1,895,975,244</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Note:

As at the Latest Practicable Date, Mr. Wong Kin Ting (“**Mr. Wong**”) is deemed to be interested in 91,059,406 Shares through his interests in the following corporations which are 100% owned by him: (i) 5,900,000 Shares held by Delight Assets Management Limited; and (ii) 85,159,406 Shares held by King Castle Enterprises Limited. Mr. Wong is a Substantial Shareholder of the Company. In addition, Mr. Wong is interested in 100% shareholding of Grade Rich Investments Limited which holds 79,000,000 shares of VC Holdings, representing approximately 6.42% of the total issued share capital of VC Holdings as at the Latest Practicable Date. VC Brokerage, a wholly-owned subsidiary of VC Holdings, is a bondholder of HK\$10,000,000 of the 2019 CB and part of the net proceeds from the Subscription will be used to repay the 2019 CB. It constituted the Special Deals. Despite the interests of Mr. Wong in the Company and VC Holdings, he has no material interest in the Subscription, the Whitewash Waiver and the Special Deals, Mr. Wong is regarded as the Independent Shareholder.

SHAREHOLDINGS INTERESTS IN THE COMPANY

During the Relevant Period, other than the share options under the 2008 Share Option Scheme and the 2018 Share Option Scheme, the Directors do not hold any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Given the Company had cancelled and revoked all unexercised share options on 5 May 2020 (no share options granted under the 2008 Share Option Scheme and the 2018 Share Option Scheme have ever been exercised) of the Company under the 2008 Share Option Scheme and the 2018 Share Option Scheme, save as these cancelled and revoked share options held by the Directors, none of the Directors had dealt in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period. And as at the Latest Practicable Date, none of the Directors hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

VC Capital Limited (“**VC Capital**”), the financial adviser to the Company. VC Capital is a wholly-owned subsidiary of VC Holdings and a fellow subsidiary of VC Brokerage. Referring to Note 1 to Rule 3.5 of the Takeovers Code, as at the Latest Practicable Date, VC Holdings is interested in 24,288,000 Shares, representing approximately 4.90% of the issued Shares and VC Brokerage is one of the bondholders of HK\$10,000,000 of the 2019 CB. Save as disclosed above, VC Capital does not hold any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date and they had not dealt in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

As at the Latest Practicable Date, VC Capital does not hold any shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber nor had they dealt in any shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and it is principally engaged in the business of investment holding.

LETTER FROM THE BOARD

Mr. Pang is the ultimate beneficial owner of the Subscriber. He is currently a director of Boxin Financial Investment Holdings Limited and Boxin Asset Management Co., Ltd. He graduated from People's Public Security University of China with a Bachelor Degree and Cheung Kong Graduate School of Business with a MBA degree. Mr. Pang has nearly 20 years of experience in the field of financial investment. Mr. Pang served as the board chairman of Yinhua Fund Management Company Limited from 2000 to 2011. From 2012 to 2015, he served as a partner of Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership). From 2015 to 2019, he served as board chairman of Boxin Fund Management Co., Ltd (formerly known as Tianjin Boxin Xinyuan Asset Management Co., Ltd.). Mr. Pang has sound experience and strong relationship in financial industry.

The beneficial owner of the Subscriber, Mr. Pang, has extensive experience in the fields of finance and asset management and profound investment history over the past twenty years. His investment has involved in many industries and the potential projects reviewed included the shipping and logistics business. Such investments have been substantially in form of equity holdings instead of direct participation in day to day management of the investee targets (“**Targets**”). In each investment, Mr. Pang and his team gained extensive knowledge to the Targets through comprehensive research to the Targets’ industry background, regular operation and performance review and frequent discussion with the management of the Targets. Mr. Pang has previous investing experience in the logistics business and has developed strong business relationship in different business sectors, including but not limited to the shipping and logistics business sectors in the PRC and overseas which may contribute to the future business development of the Company.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

It is the intention of the Subscriber that the Group will continue with its existing business and exploring other business opportunities. The Subscriber will be pleased to assist the Company to formulate business plans and strategies for the Group’s future business investment. As at the Latest Practicable Date, no definitive proposals or agreements have been reached for any such possible future business investment.

Save as set out above, the Subscriber has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than in its ordinary course of business. In addition, the Subscriber may further review the composition of the Board and senior management.

Mr. Pang, being the ultimate beneficial owner of the Subscriber, will leverage on his strong experience and connection in the financial industry to assist the Company to improve its financial position, including but not limited to explore business opportunities to improve the income stream of the Group by retaining the existing management and certain operational staff and other employees of the Group and recruit suitable personnel for different positions as and when necessary and appropriate.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the shipping and logistics businesses. As disclosed in the annual report of the Company for the year ended 31 December 2019, the Directors have been in negotiation with investors for possible fund raising exercises and will continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which will bring in synergy with and positive contributions to the Group's existing businesses.

The Group currently operates a fleet of three dry bulk carriers trading worldwide. The total carrying capacity of the Group's dry bulk fleet is approximately 92,000 DWT. All 3 dry bulk carriers are currently chartered out and the Group receives fixed charter income on a regular basis during the term of the charter contracts. The charter contracts are usually on a fixed term which is around one to two years.

The JV Group currently owns two Handysize vessels with carrying capacity of approximately 35,000 DWT each. These two vessels provide transportation services directly to customers and are operating in the PRC domestic shipping market. The revenue of the JV Group represents the transportation fee generated by these two vessels. The result of the JV Group is accounted for under the equity method of the accounting in the Group. These two vessels are also currently under full employment.

The Company has been aware of the possible obligation to repay the GIC CB (which shall mature on 2 March 2021; and GIC has the early redemption right commencing on 2 March 2020 to require the Company to redeem the GIC CB by serving at least 21 days' notice to the Company, and the redemption amount equals to the aggregate of (i) 105.5% of the aggregate principal amount of the outstanding principal amount of the GIC CB); (ii) any accrued and unpaid interest on the GIC CB; and (iii) any outstanding amounts (including the default interest) due under the GIC CB. The Board considers that the Subscription represents a good opportunity to raise funds for repayment of its indebtedness. The Directors are of the view that the Subscription, which combines issue of Subscription Shares and Convertible Bonds would have a lower immediate dilution impact to the existing Shareholders instead of merely issue the Subscription Shares but without issue of Convertible Bonds. In addition, the Convertible Bonds bear no interest. The funds raised from the Subscription will mainly be used for repayment of the GIC CB, the 2018 CB and the 2019 CB, it would substantially reduce the Group's financing costs after the repayment.

The Directors are also of the view that the Subscription provides a good opportunity for the Company to strengthen its capital base through fund raising activities and to enhance its financial position for the Company's future business development, after the disposal of the Group's railway business in the second half of 2019.

As a result of the Subscription, it is expected that the following benefits to the Company may be achieved (i) as mentioned above, the beneficial owner of the Subscriber, Mr. Pang, has extensive investment experience in various industries, especially in the fields of finance and asset management, and has developed strong business relationship in different business sectors through all kinds of investments in the PRC and overseas over the

LETTER FROM THE BOARD

past twenty years; therefore he will bring in opportunities for the Company to expand its existing businesses as well as participate in collaborations with other companies; (ii) as Mr. Pang has previous investing experience in the logistics business, through investments in the form of equity holdings, and has gained extensive knowledge on different businesses, including but not limited to the shipping and logistics businesses, through comprehensive research to the potential investee targets' industry background, regular operation and performance review and frequent discussion with the management of the investee targets. It is expected that Mr. Pang could provide valuable advice from an investment perspective to the Directors (who have actual operating experience) to further strengthen the Company's development; and (iii) the Subscription will immediately improve the Company's cashflow position by utilising the proceeds from the Subscription to repay the GIC CB, the 2018 CB and the 2019 CB as well as funds for general working capital and potential business developments.

The Directors (excluding the Independent Board Committee whose view are set out in the "Letter from the Independent Board Committee" in this circular) considers that the terms of the Subscription Agreement are on normal commercial terms and the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription will be in aggregate HK\$224 million, of which (i) HK\$176 million will be from the subscription of new Shares; and (ii) HK\$48 million will be from the subscription of Convertible Bonds. The net proceeds after deducting all relevant costs and expenses of the Subscription are estimated to be approximately HK\$222 million. Based on the net proceeds of approximately HK\$222 million and the total number of 1,100,000,000 Subscription Shares and 300,000,000 Conversion Shares, the net price per Subscription Share or Conversion Share is estimated to be approximately HK\$0.159.

The Company intends to apply the net proceeds to be raised from the Subscription of (i) approximately HK\$169 million for the repayment of the GIC CB, the 2018 CB and the 2019 CB with interests accrued up to the date of the Completion; (ii) approximately HK\$20 million for general working capital of the Group; and (iii) the remaining balance of approximately HK\$33 million for further acquisition of vessel to enhance the Group's existing fleet size (by way of replacement of one of the Group's existing vessels or addition of new vessel) (excluding the acquisition of the remaining two vessels by the JV Group) and/or potential business development as the Company has been actively looking for other new business opportunities from time to time.

As at the Latest Practicable Date, the Company does not have any intention, negotiation, agreement, arrangement and/or understanding (concluded or otherwise) about the potential acquisition(s) and/or business development.

As disclosed in the announcement made by the Company on 4 December 2019, due to the continuing poor performance of the shipping market and the unfavourable global economic conditions, the Group discussed with its joint venture partner and concluded the mutual intention on withholding the enforcement of the obligation to acquire the remaining two Panamax vessels, and both the JV Company and its shareholders entered into the 9th

LETTER FROM THE BOARD

memorandum of mutual understanding on 4 December 2019 to further extend the time for such further acquisition by the JV Group to 31 December 2020. In view of the outbreak of COVID-19, which has severely affected the shipping market conditions, the Group maintained its view on withholding the further acquisition of the remaining two Panamax vessels by the JV Group, and thus, no latest acquisition plan has been agreed with the joint venture partner as at the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Whitewash Waiver

The Subscriber, Mr. Pang and parties acting in concert with any one of them do not, as at the Latest Practicable Date, own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

Immediately upon the Completion as well as assuming no conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company, the Subscriber, Mr. Pang and parties acting in concert with any one of them will be interested in 1,100,000,000 Shares, representing approximately 221.79% of the existing total number of Shares in issue, and approximately 68.92% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares.

Immediately upon the Completion as well as assuming full conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company, the Subscriber, Mr. Pang and parties acting in concert with any one of them will be interested in 1,400,000,000 Shares, representing approximately 282.27% of the existing total number of Shares in issue, and approximately 73.84% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares and the Conversion Shares.

Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless, among others, the Whitewash Waiver is granted by the Executive. The Subscriber has applied for a waiver from the obligation to make a mandatory general offer pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% votes by the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription (including the grant of Specific Mandate) at the General Meeting by way of poll. The Subscriber and parties acting in concert with it and any other Shareholders who are involved or interested in the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals shall abstain from voting at the General Meeting

LETTER FROM THE BOARD

in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the Specific Mandate, the Whitewash Waiver and the Special Deals. The Subscription Agreement and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is not granted by the Executive or the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver are not approved by the Independent Shareholders at the General Meeting.

If the Whitewash Waiver is approved by the Independent Shareholders, upon the issue of the Subscription Shares to the Subscriber and assuming there is no other change in the issued share capital of the Company, the interest of the Subscriber in the Company will exceed 50% and the Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed.

As at the Latest Practicable Date, the Company does not believe that the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals does not comply with other applicable rules and regulations.

Special Deals

GIC CB

Name of bondholder	Principal amount	Outstanding	Total
		interest payable up to the Latest Practicable Date	outstanding amount up to the Latest Practicable Date
GIC	HK\$100,000,000	HK\$1,552,055	HK\$101,552,055

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Zhu is interested in 22,749,000 Shares, representing approximately 4.59% of all the issued Shares. Mr. Zhu, a beneficiary of a trust which is also interested in 6,370,388,156 shares, representing approximately 32.11% of all the issued shares of GCL, a public company with limited liability incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Stock Code: 3800), which indirectly wholly owns the entire issued share capital of GIC. GIC is a bondholder of the GIC CB. GCL is not a Shareholder and does not hold any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. GIC is a concert party of Mr. Zhu.

2018 CB

Name of bondholder	Principal amount	Outstanding interest payable up to the Latest Practicable Date	Total outstanding amount up to the Latest Practicable Date
Yeung Yan Hau ("Mr. Yeung")	HK\$500,000	HK\$1,233	HK\$501,233

As at the Latest Practicable Date, Mr. Yeung, a bondholder of HK\$500,000 of the 2018 CB who is also interested in 200,000 Shares, representing approximately 0.04% of the total issued Shares.

2019 CB

Name of bondholder(s)	Principal amount	Outstanding interest payable up to the Latest Practicable Date	Total outstanding amount up to the Latest Practicable Date
Fu Lai Financial Group Limited ("Fu Lai")	HK\$500,000	HK\$1,027	HK\$501,027
Chan Ming Leung ("Mr. Chan")	HK\$1,500,000	HK\$3,082	HK\$1,503,082
VC Brokerage	HK\$10,000,000	HK\$20,548	HK\$10,020,548

As at the Latest Practicable Date, Fu Lai, a bondholder of HK\$500,000 of the 2019 CB who is also interested in 2,810,000 Shares, representing approximately 0.57% of the total issued Shares. In addition, as at the Latest Practicable Date, Mr. Chan, a bondholder of HK\$1,500,000 of the 2019 CB who is also interested in 4,000,000 Shares, representing approximately 0.81% of the total issued Shares.

LETTER FROM THE BOARD

Furthermore, as at the Latest Practicable Date, VC Holdings, a public company with limited liability incorporated in Hong Kong and whose shares are listed on the Stock Exchange (Stock Code: 821) is a Shareholder and is interested in 24,288,000 Shares, representing approximately 4.90% of the total issued Shares. VC Brokerage, a wholly-owned subsidiary of VC Holdings is one of the bondholders of HK\$10,000,000 of the 2019 CB.

As the net proceeds of the Subscription will mainly be used for the repayment of the GIC CB, the 2018 CB and the 2019 CB, the proposed repayment to the aforesaid Shareholders who are also the bondholders constitutes special deals under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) Gram Capital to publicly state in its opinion that the terms of the Special Deals are fair and reasonable; and (iii) approval by the Independent Shareholders at the General Meeting, in which Mr. Zhu, Mr. Yeung, Fu Lai, Mr. Chan and VC Holdings and parties acting in concert with any one of them who are Shareholders will be required to abstain from voting on the relevant resolutions approving the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals. The Company has made an application to the Executive for the consent to the Special Deals under Rule 25 of the Takeovers Code.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals. Its members comprises of all the independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Chan Sing Fai.

As informed by Mr. Yu Baodong (“**Mr. Yu**”), a non-executive Director, as at the Latest Practicable Date, Mr. Yu has direct interest in GCL. In accordance with Rule 2.8 of the Takeovers Code, Mr. Yu has not been included in the Independent Board Committee due to his indirect interest in the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

The Independent Financial Adviser

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated thereunder including the grant of Specific Mandate, the Whitewash Waiver and the Special Deals. The appointment of Gram Capital has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

LETTER FROM THE BOARD

GENERAL MEETING

The General Meeting will be held to consider and, if thought fit, pass the requisite resolutions to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals, by way of poll. A notice convening the General Meeting to be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Thursday, 9 July 2020 is set out on pages GM-1 to GM-3 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, located 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.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes for the Shareholders at a general meeting must be taken by poll. As such, all resolutions to be proposed at the General Meeting will be put to vote by way of poll.

As the net proceeds of the Subscription will mainly be used for the repayment of the GIC CB, the 2018 CB and the 2019 CB, the proposed repayment to the aforesaid Shareholders who are also the bondholders constitutes special deals under Note 5 to Rule 25 of the Takeovers Code and hence Mr. Zhu, Mr. Yeung, Fu Lai, Mr. Chan and VC Holdings, who are Shareholders, and parties acting in concert with any one of them shall abstain from voting on the relevant resolutions approving the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

As at the Latest Practicable Date, the Subscriber, Mr. Pang and parties acting in concert with any one of them did not hold any Share and therefore will not vote on any of the resolutions at the General Meeting.

An announcement in respect of on the poll results of the General Meeting will be made by the Company after the conclusion of the General Meeting in accordance with the Listing Rules and the Takeovers Code.

Shareholders and potential investors of the Company should note that the Whitewash Waiver is a possibility only and may not be granted by the Executive.

The Completion is subject to the fulfilment of the conditions set out in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

LETTER FROM THE BOARD

RECOMMENDATION

The Shareholders are advised to read carefully the letter from the Independent Board Committee on pages 27 to 28 of this circular. The Independent Board Committee, having taken into account the opinion of Gram Capital as set out on pages 29 to 53 of this circular, considered that (a) the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (b) the Whitewash Waiver and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the General Meeting.

The Board (excluding the Independent Board Committee whose opinion is set out in the “Letter from the Independent Board Committee” in this circular after considering the advise of Gram Capital) considers that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals were arrived at after arm’s length negotiation between the Company and the Subscriber which are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully
By Order of the Board
Asia Energy Logistics Group Limited
Fu Yongyuan
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals for inclusion in this circular.



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)

17 June 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) ISSUE OF NEW SHARES AND CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE
AND
(2) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR
SPECIAL DEALS**

We refer to the circular issued by the Company dated 17 June 2020 (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 form an Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee as to whether the terms of the transactions contemplated under the Subscription (including the Specific Mandate, the Whitewash Waiver and the Special Deals) are fair and reasonable.

The text of the letter of advice from Gram Capital containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out from pages 29 to 53 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders are recommended to read the letter of advice from Gram Capital, 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 Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals and the advice of Gram Capital, we are of the opinion that the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of the relevant resolutions to be proposed at the General Meeting to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Chan Chi Yuen
*Independent non-executive
Director*

Mr. Wong Cheuk Bun
*Independent non-executive
Director*

Mr. Chan Sing Fai
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the transactions contemplated under the Subscription (including the grant of Specific Mandate, the Whitewash Waiver and the Special Deals) for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

17 June 2020

To: The independent board committee of Asia Energy Logistics Group Limited

Dear Sir/Madam,

**(I) ISSUE OF NEW SHARES AND CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE; AND
(II) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEALS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the transactions contemplated under the Subscription (including the grant of Specific Mandate, the Whitewash Waiver and the Special Deals) (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 June 2020 issued by the Company to the Shareholders (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 requires otherwise.

With reference to the Board Letter, on 8 March 2020, the Company entered into the Subscription Agreement with the Subscriber (which is wholly-owned by Mr. Pang), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue (i) a total of 1,100,000,000 Subscription Shares at the Subscription Price of HK\$0.16 per Subscription Share; and (ii) the Convertible Bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 Conversion Shares at the initial Conversion Price of HK\$0.16 (subject to adjustments).

According to the Board Letter, the Subscriber, Mr. Pang and parties acting in concert with any one of them do not, as at the Latest Practicable Date, own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) of the Company during the Relevant Period. Immediately upon the Completion as well as assuming no conversion of the Convertible

LETTER FROM GRAM CAPITAL

Bonds and there is no other change in the issued share capital of the Company, the Subscriber, Mr. Pang and parties acting in concert with any one of them will be interested in 1,100,000,000 Shares, representing approximately 221.79% of the existing total number of Shares in issue, and approximately 68.92% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless, among others, the Whitewash Waiver is granted by the Executive. The Subscriber has applied for a waiver from the obligation to make a mandatory general offer pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% votes by the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription (including the grant of Specific Mandate) at the General Meeting by way of poll.

As further mentioned in the Board Letter, as part of the net proceeds of the Subscription will be used for the repayment of the GIC CB, the 2018 CB and the 2019 CB, the proposed repayment to certain bondholders (i.e. GIC, Mr. Yeung, Fu Lai, Mr. Chan and VC Brokerage) (the “**SD Bondholders**”) constitutes special deals under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) Gram Capital to publicly state in its opinion that the terms of the Special Deals are fair and reasonable; and (iii) approval by the Independent Shareholders at the General Meeting. The Company has made an application to the Executive for the consent to the Special Deals under Rule 25 of the Takeovers Code.

The Independent Board Committee comprising, Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Chan Sing Fai (being all the independent non-executive Directors) has been established to advise the Independent Shareholders on whether the Whitewash Waiver is fair and reasonable and as to the voting of the Whitewash Waiver. We, Gram Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company/the Subscriber/Mr. Pang or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital’s independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the

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Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. In forming our opinion in respect of the Transactions, we have also taken into account the Company's annual reports for each of the four years ended 31 December 2019. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "RESPONSIBILITY STATEMENT" of Appendix II to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber, the SD Bondholders or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in the shipping and logistics businesses. The Group currently operates a fleet of three dry bulk carriers trading worldwide. The total carrying capacity of the Group's dry bulk

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fleet is approximately 92,000 DWT. All 3 dry bulk carriers are currently chartered out and the Group receives fixed charter income on a regular basis during the term of the charter contracts. The charter contracts are usually on a fixed term which is around one to two years.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”):

	For the year ended 31 December 2019 <i>HK\$'000</i>	For the year ended 31 December 2018 <i>HK\$'000</i>	Year-on-year change %
Revenue			
(from continuing operations)	61,072	50,669	20.53
Gross profit			
(from continuing operations)	8,082	11,496	(29.70)
Loss for the year	24,858	168,775	(85.27)
	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	Year-on-year change %
Bank balances and cash	8,414	18,456	(54.41)
Bank and other borrowings	Nil	1,647,783	(100.00)
Net liabilities	60,966	187,394	(67.47)

The Group recorded revenue (which represented charter-hire income of the Group's dry bulk carriers) and gross profit (both from continuing operations) of approximately HK\$61.07 million and HK\$8.08 million for the year ended 31 December 2019 (“**FY2019**”), representing an increase in revenue of approximately 20.53% and a decrease in gross profit of approximately 29.70% as compared to the year ended 31 December 2018 (“**FY2018**”). With reference to the 2019 Annual Report, the increase in the revenue was mainly due to the full employment of three dry bulk carriers throughout FY2019 except a short period of dry-docking (two dry bulk carriers, namely MV Clipper Selo and MV Clipper Panorama were acquired and delivered to the Group in April 2018), whilst the decrease of gross profit was resulted from the dry-docking for MV Clipper Selo and MV Clipper Panorama during FY2019 (as advised by the Directors, the Group recorded no revenue from the two dry bulk carriers while continued to incur relevant operating costs during the dry-docking period).

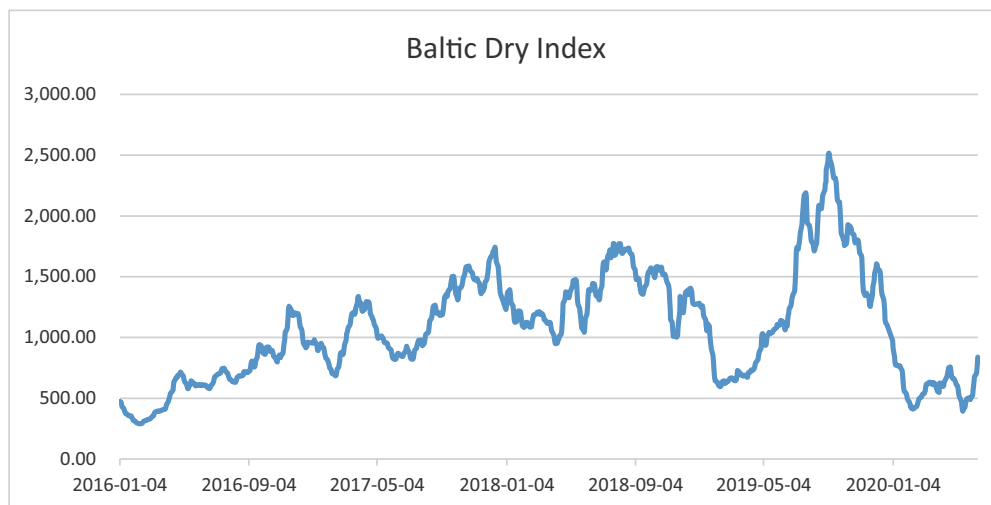
The Group recorded loss of approximately HK\$24.86 million for FY2019, representing a substantial decrease of approximately 85.27% as compared to FY2018. With reference to the 2019 Annual Report, such decrease in loss was mainly attributable to (i) the gain on disposal resulted from the disposal of the Group's railway business in FY2019; (ii) a positive change in fair value of derivative components of the GIC CB for FY2019 as compared a negative change in fair value for FY2018; and (iii) the decrease in share of loss of the joint venture for FY2019 as compared to that for FY2018.

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The Group had bank balances and cash of approximately HK\$8.41 million as at 31 December 2019, representing a decrease of approximately 54.41% as compared to that as at 31 December 2018. As advised by the Directors, such decrease in bank balances and cash was mainly as a result of the net cash used in operating activities and investing activities (partially offset by net cash from financing activities) during FY2019 and was one-off in nature.

The Group had no bank and other borrowings as at 31 December 2019, as compared to approximately HK\$1.65 billion as at 31 December 2018. The Group had net liabilities of approximately HK\$60.97 million as at 31 December 2019, representing a decrease of approximately 67.47% as compared to that as at 31 December 2018. As advised by the Directors, such decreases in bank and other borrowings and net liabilities were due to the deconsolidation of financial results of China Railway Logistic Holdings Limited and its subsidiaries (i.e. as a result of the disposal of the Group's railway business).

To understand the shipping market, we performed an analysis on the Baltic Dry Index (“BDI”), a shipping and trade index created by the London-based Baltic Exchange. The BDI measures changes in the cost of transporting various raw materials, such as coal and steel. Set out below is the BDI since 4 January 2016 up to the Latest Practicable Date:



The BDI was on a general increasing trend during 2016 and 2017. The BDI fluctuated throughout 2018 and then experienced significant decrease in January 2019. After that, the BDI recovered significantly and reached its peak during the review period in September 2019. Since September 2019, the BDI experienced a significant decreasing trend until early February 2020. The BDI fluctuated thereafter and the trend is uncertain.

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As advised by the Directors, despite the uncertainties caused by the trade war between the US and the PRC and the outbreak of COVID-19, the Group's shipping and logistics businesses will continue generating revenue for the Group in the upcoming year as all three dry bulk carriers are on charter contracts with fixed hire income (charter contract for one dry bulk carrier will run until December 2020 and charter contracts for the other two dry bulk carriers will run until March 2022). As for the charter contract which runs until December 2020, the Directors expect to start the negotiation for renewal around September 2020 and are optimistic that the dry bulk carrier will be leased out after the completion of the existing charter contract. Against the backdrop of the uncertain trend of the BDI and the aforementioned uncertainties caused by the trade war between the US and the PRC and the outbreak of COVID-19, having considered that all of the Group's dry bulk carriers are on charter contracts (i.e. the Group receives fixed charter-hire income pursuant to the long term leases which run until December 2020 and March 2022 respectively), we are of the view that the outlook and prospects of the Group's shipping and logistics businesses would remain relatively stable in the near future.

Information on the Subscriber

Set out below is the background information of the Subscriber and its ultimate beneficial owner as extracted from the Board Letter:

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and it is principally engaged in the business of investment holding.

Mr. Pang is the ultimate beneficial owner of the Subscriber. He is currently a director of Boxin Financial Investment Holdings Limited and Boxin Asset Management Co., Ltd. He graduated from People's Public Security University of China with a Bachelor Degree and Cheung Kong Graduate School of Business with a MBA degree. Mr. Pang has nearly 20 years of experience in the field of financial investment. Mr. Pang served as the board chairman of Yinhua Fund Management Company Limited from 2000 to 2011. From 2012 to 2015, he served as a partner of Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership). From 2015 to 2019, he served as board chairman of Boxin Fund Management Co., Ltd (formerly known as Tianjin Boxin Xinyuan Asset Management Co., Ltd.). Mr. Pang has sound experience and strong relationship in financial industry.

The beneficial owner of the Subscriber, Mr. Pang, has extensive experience in the fields of finance and asset management and profound investment history over the past twenty years. His investment has involved in many industries and the potential projects reviewed included the shipping and logistics business. Such investments have been substantially in form of equity holdings instead of direct participation in day to day management of the investee targets ("**Targets**"). In each investment, Mr. Pang and his team gained extensive knowledge to the Targets through comprehensive research to the Targets' industry background, regular operation and performance review and frequent discussion with the

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management of the Targets. Mr. Pang has previous investing experience in the logistics business and has developed strong business relationship in different business sectors, including but not limited to the shipping and logistics business sectors in the PRC and overseas which may contribute to the future business development of the Company.

According to the Board Letter, the beneficial owner of the Subscriber, Mr. Pang, has extensive investment experience in various industries, especially in the fields of finance and asset management, and has developed strong business relationship in different business sectors through all kinds of investments in the PRC and overseas over the past twenty years. Therefore he will bring in opportunities for the Company to expand its existing businesses as well as participate in collaborations with other companies. We concur with the Company in this regard.

As further mentioned in the Board Letter, as Mr. Pang has previous investing experience in the logistics business, through investments in the form of equity holdings, and has gained extensive knowledge on different businesses, including but not limited to the shipping and logistics businesses, through comprehensive research to the potential investee targets' industry background, regular operation and performance review and frequent discussion with the management of the investee targets. It is expected that Mr. Pang could provide valuable advice from an investment perspective to the Directors (who have actual operating experience) to further strengthen the Company's development. We concur with the Company in this regard.

With reference to the Board Letter, as at the Latest Practicable Date, the Subscriber and its ultimate beneficial owner are independent of, not connected with and not acting in concert with any of the Directors, the chief executives or the substantial Shareholders of the Company or its subsidiaries or any of their respective associates. The Subscriber, Mr. Pang and parties acting in concert with any one of them do not, as at the Latest Practicable Date, own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) of the Company during the Relevant Period.

Future intentions of the Subscriber regarding the Group

Set out below are the future intentions of the Subscriber regarding the Group as extracted from the Board Letter:

It is the intention of the Subscriber that the Group will continue with its existing business and exploring other business opportunities. The Subscriber will be pleased to assist the Company to formulate business plans and strategies for the Group's future business investment. As at the Latest Practicable Date, no definitive proposals or agreements have been reached for any such possible future business investment.

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Save as set out above, the Subscriber has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than in its ordinary course of business. In addition, the Subscriber may further review the composition of the Board and senior management.

Mr. Pang, being the ultimate beneficial owner of the Subscriber, will leverage on his strong experience and connection in the financial industry to assist the Company to improve its financial position, including but not limited to explore business opportunities to improve the income stream of the Group by retaining the existing management and certain operational staff and other employees of the Group and recruit suitable personnel for different positions as and when necessary and appropriate.

Reasons for and benefits of the Subscription and the use of proceeds

(i) Reasons for and benefits of the Subscription

With reference to the 2019 Annual Report, during FY2019, the Group together with its joint venture were principally engaged in the (i) railway construction and operations; and (ii) shipping and logistics businesses. The Group disposed of its railway business during the second half of 2019 and the completion took place on 27 November 2019. Following the disposal of the Group's railway business during the second half of 2019, the financial burden of the Group had been substantially eased off (the discontinued operation of railway construction and operations recorded nil revenue and loss position (without taking into account the gain on disposal) for consecutive financial years). The Directors had been in negotiation with investors for possible fund raising exercises and would continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which would bring in synergy with and positive contributions to the Group's existing businesses.

With reference to the Board Letter, the Company has been aware of the possible obligation to repay the GIC CB (which shall mature on 2 March 2021; and GIC has the early redemption right commencing on 2 March 2020 to require the Company to redeem the GIC CB by serving at least 21 days' notice to the Company, and the redemption amount equals to the aggregate of (i) 105.5% of the aggregate principal amount of the outstanding principal amount of the GIC CB; (ii) any accrued and unpaid interest on the GIC CB; and (iii) any outstanding amounts (including the default interest) due under the GIC CB). The Board considers that the Subscription represents a good opportunity to raise funds for repayment of its indebtedness. The Directors are of the view that the Subscription which combines issue of Subscription Shares and Convertible Bonds would have a lower immediate dilution impact to the existing Shareholders instead of merely issue the Subscription Shares but without the issue of Convertible Bonds. In addition, the Convertible Bonds bear no interest. The funds raised from the Subscription will mainly be used for repayment of the GIC CB, the 2018 CB and the 2019 CB, it would substantially reduce the Group's financing costs after the repayment. The Directors are also of the view that the Subscription

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provides a good opportunity for the Company to strengthen its capital base through fund raising activities and to enhance its financial position for the Company's future business development, after the disposal of the Group's railway business in the second half of 2019.

As mentioned above, the Company has been aware of the possible obligation to repay the GIC CB. Taking into account of the repayment obligation of the liabilities (including but not limited to the GIC CB), the Group has been monitoring its financial position. With reference to the Company's circular dated 25 October 2019, the Company and GIC entered into the deed of amendment in relation to the amendment of certain terms and conditions of the GIC CB (including, among others, the amendment of conversion price of the GIC CB (from HK\$0.8505 per conversion share to HK\$0.375 per conversion share) and the removal of the restriction to transfer the GIC CB). As advised by the Directors, the GIC CB was significantly out of money before the terms amendment, and the chance for GIC to convert the GIC CB was remote. In light of the early redemption rights under the GIC CB and the then existing liquidity level of the Group (which was insufficient to fully repay the GIC CB), the Group entered into the said deed of amendment with GIC. The said deed of amendment and transactions contemplated thereunder was approved by the independent Shareholders at the general meeting on 11 November 2019.

As confirmed by the Directors, since the aforesaid amendment of the GIC CB terms, GIC has not exercised any of the conversion rights attached to the GIC CB. As illustrated in the sub-section headed "Analysis on the Subscription Price and Conversion Price" below, the closing price of the Shares showed a decreasing trend starting from 2020, decreasing from HK\$0.39 on 1 January 2020 to HK\$0.165 on 6 March 2020 (being the Last Trading Day). The GIC CB had been out of money for most of the time in 2020. The Directors considered that the chance for GIC to convert the GIC CB was remote.

According to the 2019 Annual Report, (i) the Group only had bank balances and cash of approximately HK\$8.41 million as at 31 December 2019, which would be insufficient to repay the GIC CB (together with the unpaid interests accrued); and (ii) the Group had total assets of approximately HK\$236.45 million as at 31 December 2019 (approximately HK\$201.97 million of which represents the Group's vessels asset, and vessels in an aggregate amount of approximately HK\$170.96 million had already been pledged). The Group did not have adequate financial resources to repay the GIC CB if GIC exercises its early redemption right which has been exercisable since March 2020. As advised by the Directors, on 6 March 2020, GIC notified the Company that GIC was under consideration to exercise the early redemption right under the GIC CB.

According to the Board Letter, on 21 April 2020, the Company received a letter from GIC that GIC has granted a consent to the Company (the "**GIC Consent**") to complete the Subscription, the issue of the Convertible Bonds and the transactions contemplated thereunder at such terms and conditions as contained in the Subscription Agreement. The Company has undertaken to GIC to use the net proceeds to be raised from the Subscription for the repayment of, among other things, the GIC CB within 5

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Business Days after the Completion, by serving the early redemption notice under the terms and conditions of the GIC CB to GIC; and waives the requirement of giving 21-day notice for completion of redemption. GIC agrees and accepts such waiver.

Taking into account that (i) the chance for GIC to convert the GIC CB was remote; and (ii) the Group did not have adequate financial resources to repay the GIC CB if GIC exercises its early redemption right which has been exercisable since March 2020, we consider that the Company had imminent funding need for the repayment obligation of the GIC CB.

(ii) Use of proceeds

According to the Board Letter, the gross proceeds from the Subscription will be in aggregate HK\$224 million, of which (i) HK\$176 million will be from the subscription of new Shares; and (ii) HK\$48 million will be from the subscription of Convertible Bonds. The net proceeds after deducting all relevant costs and expenses of the Subscription are estimated to be approximately HK\$222 million. The Company intends to apply the net proceeds to be raised from the Subscription of (i) approximately HK\$169 million for the repayment of the GIC CB, the 2018 CB and the 2019 CB with interests accrued up to the date of the Completion; (ii) approximately HK\$20 million for general working capital of the Group; and (iii) the remaining balance of approximately HK\$33 million for further acquisition of vessel to enhance the Group's existing fleet size (by way of replacement of one of the Group's existing vessels or addition of new vessel) (excluding the acquisition of the remaining two vessels by the JV Group) and/or potential business development as the Company has been actively looking for other new business opportunities from time to time.

As mentioned in the Board Letter, as at the Latest Practicable Date, the Company does not have any intention, negotiation, agreement, arrangement and/or understanding (concluded or otherwise) about the potential acquisition(s) and/or business development. As advised by the Directors, the Company would continuously monitor the market conditions and utilize the proceeds for any potential acquisition(s) of vessels and/or business development as and when appropriate to ensure that such use of proceeds are in the interest of the Company and the Shareholders as a whole.

With reference to the Company's announcement dated 4 December 2019, due to the continuing poor performance of the shipping market and the unfavourable global economic conditions, the Group discussed with its joint venture partner and concluded the mutual intention on withholding the enforcement of the obligation to acquire the remaining two Panamax vessels, and both the JV Company and its shareholders entered into the 9th memorandum of mutual understanding on 4 December 2019 to further extend the time for such further acquisition by the JV Group to 31 December 2020. According to the Board Letter, in view of the outbreak of COVID-19, which has severely affected the shipping market conditions, the Group maintained its view on withholding the further acquisition of the remaining two Panamax vessels by the JV Group, and thus, no latest acquisition plan has been agreed with the joint venture partner as at the Latest Practicable Date.

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As advised by the Directors, the Group considers that further acquisition of vessel by the Group itself is more desirable than acquisition by the JV Group given the difference in operating models of the JV Group and the Group. The JV Group carries out its business through provision of transportation services with its vessels, while the Group generates revenue through the chartering of its own vessels (under long term leases with fixed hire income). The Directors consider that the operating model of the Group (fleet-risks are mainly borne by the lessee) has lower risk exposure than that of the JV Group (fleet-risks are mainly borne by the JV Group). As the vessels to be acquired by the JV Group shall be subject to the terms of the JV Agreement. The type, design and carrying capacity of the vessels that could be acquired by the JV Group are relatively limited. As such, acquisition of vessels by the Group instead of the JV Group will be more flexible and desirable with a view to enhancing the existing fleet size of the Group.

With reference to the Circular, the GIC CB (due 2021), the 2018 CB (due 2021) and the 2019 CB (due 2022) bear interest of 5.5% per annum, 2.5% per annum and 2.5% per annum respectively. The GIC CB, the 2018 CB and the 2019 CB have principal amounts of HK\$100 million, HK\$18 million and HK\$42.5 million respectively as at the Latest Practicable Date. The GIC CB may be converted into 266,666,666 new Shares at the conversion price of HK\$0.375 per Share; the 2018 CB may be converted into 38,626,609 new Shares at the conversion price of HK\$0.466 per Share; and the 2019 CB may be converted into 141,666,666 new Shares at the conversion price of HK\$0.30 per Share. With reference to the 2019 Annual Report, as at 31 December 2019, one of the vessels of the Group with carrying amount of HK\$84,805,000 was pledged to GIC for the GIC CB, and one of the vessels of the Group with carrying amount of HK\$86,159,000 was pledged to the holders of the 2018 CB. As advised by the Directors, the said pledges would be discharged following the repayment of the GIC CB and the 2018 CB. Please refer to (i) the Company's circulars dated 5 January 2018 and 25 October 2019 for detailed terms of the GIC CB; (ii) the Company's announcement dated 4 September 2018 for detailed terms of the 2018 CB; and (iii) the Company's circular dated 26 July 2019 for detailed terms of the 2019 CB. As mentioned above, the repayment to the SD Bondholders constitutes special deals under the Takeovers Code. Details of the SD Bondholders (including their shareholding interest in the Company) are set out in the sub-section headed "Special Deals" of the Board Letter.

As mentioned above, taking into account that (i) the chance for GIC to convert the GIC CB was remote; and (ii) the Group did not have adequate financial resources to repay the GIC CB if GIC exercises its early redemption right which has been exercisable since March 2020, we consider that the Company had imminent funding need for the repayment obligation of the GIC CB. As also mentioned above, the Company received the GIC Consent on 21 April 2020 and has undertaken to GIC to use the net proceeds to be raised from the Subscription for the repayment of, among other things, the GIC CB within 5 Business Days after the Completion, by serving the early redemption notice under the terms and conditions of the GIC CB to GIC; and waives the requirement of giving 21-day notice for completion of redemption. GIC agrees and accepts such waiver.

With reference to the 2019 Annual Report and the Company's annual reports for each of the three years ended 31 December 2018, the Group recorded loss for four consecutive financial years since the year ended 31 December 2016 and net liabilities position as at 31 December 2016, 2017, 2018 and 2019. In addition, the gearing ratio of the Group, which is calculated as net debt (i.e. total liabilities less bank and cash balances) divided by adjusted capital (net debt less total deficits), was approximately 106% and 111% as at 31 December 2016 and 31 December 2017 respectively, and increased from approximately 110% as at 31 December 2018 to approximately 127% as at 31 December 2019. Having considered (i) the said financial position of the Group; (ii) that the Company would be required to repay an aggregate principal amount of HK\$160.5 million at maturity for the GIC CB, the 2018 CB and the 2019 CB by 2021 and 2022 (as the case maybe); and (iii) the earlier repayment of the GIC CB, the 2018 CB and the 2019 CB with the net proceeds from the Subscription, where the Convertible Bonds bear no interest, would reduce the Group's financing costs (as confirmed by the Directors, the GIC CB, the 2018 CB and the 2019 CB together incur over HK\$7 million interest costs annually), we consider the use of proceeds for the repayment of the GIC CB, the 2018 CB and the 2019 CB to be fair and reasonable. Accordingly, we also consider the use of proceeds for the repayment of the GIC CB, the 2018 CB and the 2019 CB to the SD Bondholders (i.e. the Special Deals) to be fair and reasonable.

As mentioned above, according to the 2019 Annual Report, the Directors would continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which would bring in synergy with and positive contributions to the Group's existing businesses. We consider that the use of net proceeds for general working capital of the Group and for further acquisition of vessel and/or potential business development is in line with the Group's development strategy as mentioned in the 2019 Annual Report, and accordingly, we also consider such use of proceeds to be fair and reasonable.

(iii) Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed "EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY" of the Board Letter, the shareholding interests of the other public Shareholders would be diluted by (i) approximately 56.27 percentage point immediately after completion of the Subscription (immediately upon issuance of the Subscription Shares and assuming no Convertible Bonds have been converted); and (ii) approximately 60.28 percentage point immediately after completion of the Subscription (immediately upon issuance of the Subscription Shares and assuming all Convertible Bonds have been converted).

Despite the said dilution to the public Shareholders, we took into account, in particular, the below:

- (i) the Subscription provides an opportunity for the Company to enhance its financial position for future business development after the disposal of the loss making railway business in 2019;

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- (ii) the repayment of the GIC CB, the 2018 CB and the 2019 CB with the net proceeds from the Subscription (the Convertible Bonds bear no interest, while the GIC CB, the 2018 CB and the 2019 CB are interest-bearing) would reduce the Group's financing costs; and
- (iii) the Company would be required to repay an aggregate principal amount of HK\$160.5 million at maturity for the GIC CB, the 2018 CB and the 2019 CB by 2021 and 2022 (as the case maybe), the repayment of the GIC CB, the 2018 CB and the 2019 CB would also enhance the Group's financial position (where the Convertible Bonds have lower principal amount and are non-interest-bearing).

We consider that the abovementioned benefits of the Subscription would outweigh the said dilution to the public Shareholders. Having also considered that the Group had imminent funding need for the repayment obligation of the GIC CB, we are also of the view that the said dilution to the public Shareholders is acceptable.

Having considered the above and that the use of proceeds from the Subscription is fair and reasonable, we are of the view that the Subscription (including its use of proceeds) is in the interest of the Company and the Shareholders (including the Independent Shareholders).

Principal terms of the Subscription

Set out below are the principal terms of the Subscription Agreement as extracted from the section headed "THE SUBSCRIPTION AGREEMENT" of Board Letter (for details please refer to the Board Letter):

Date:

8 March 2020

Parties:

- (i) the Company, as issuer; and
- (ii) Oriental Solar Group Limited, as Subscriber

The Subscription Shares and Conversion Shares:

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue:

- (i) a total of 1,100,000,000 Subscription Shares at the Subscription Price of HK\$0.16 per Subscription Share; and
- (ii) the Convertible Bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 Conversion Shares at the initial Conversion Price of HK\$0.16 (subject to adjustments).

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With reference to the Board Letter, as at the Latest Practicable Date, the Company had 495,975,244 Shares in issue. The Subscription Shares represent approximately 221.79% of the existing total number of Shares in issue and approximately 68.92% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares upon the Completion (assuming that there is no other change in the total number of Shares of the Company). The aggregate of the Subscription Shares and the Conversion Shares represent approximately 282.27% of the existing total number of Shares in issue, and approximately 73.84% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares and the Conversion Shares upon the Completion (assuming that there is no other change in the total number of Shares of the Company).

The Subscription Price and the Conversion Price:

With reference to the Board Letter, the Subscription Price and the Conversion Price, each being HK\$0.16, were determined after arm's length negotiations between the Company and the Subscriber, and with reference to the prevailing market price of the Shares.

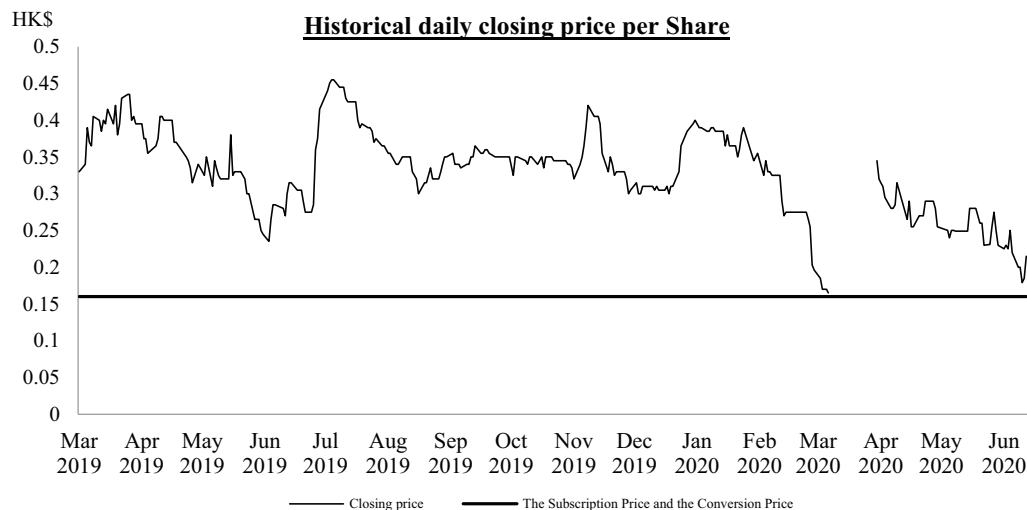
Analysis on the Subscription Price and Conversion Price

The Subscription Price and the Conversion Price, each being HK\$0.16, represent:

- (i) a discount of approximately 25.58% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 3.03% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 6.98% to the average closing price of HK\$0.172 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 21.95% to the average closing price of HK\$0.205 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately HK\$0.28 to the audited consolidated net liabilities per Share of approximately HK\$0.12 as at 31 December 2019, calculated based on the Group's audited consolidated net liabilities of HK\$60,966,000 as at 31 December 2019 and the 495,975,244 Shares in issue as at the Latest Practicable Date.

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In order to assess the fairness and reasonableness of the Subscription Price and the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 March 2019, being approximately one year prior to the date of the Subscription Agreement, up to and including the Latest Practicable Date (the “**Review Period**”). The comparison of daily closing price of the Shares and Subscription Price and the Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

Notes:

1. Taking into account of the share consolidation of the Company which became effective on 19 August 2019 (every five then existing issued shares be consolidated into one consolidated shares).
2. Trading in the Shares was halted from 9 March 2020 to 27 March 2020.

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.455 recorded on 4 July 2019 and 5 July 2019 and HK\$0.165 recorded on 6 March 2020 (being the Last Trading Day) respectively. The average closing price of the Shares was approximately HK\$0.329 during the Review Period. The Subscription Price and Conversion Price of HK\$0.16 fall below the closing price range of the Shares and average closing price of the Shares as quoted on the Stock Exchange during the Review Period.

The closing price of the Shares fluctuated during the Review Period in 2019. The closing price of the Shares showed a decreasing trend starting from 2020, decreasing from HK\$0.39 on 1 January 2020 to HK\$0.165 on 6 March 2020 (being the Last Trading Day). As advised by the Directors, the Company was not aware any reasons for such Share price movement. Trading in the Shares was halted from 9 March 2020 to 27 March 2020. After the Company published the Announcement on 27 March 2020, trading in the Shares was resumed on 30 March 2020 and the closing price of the

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Shares increased to HK\$0.345 on the same day. During the period between 30 March 2020 and the Latest Practicable Date, the closing prices of the Shares ranged between HK\$0.179 and HK\$0.345.

As mentioned above, the Company has been aware of the possible obligation to repay the GIC CB after 2 March 2020. However, the Group did not have adequate financial resources to repay the GIC CB if GIC exercises its early redemption right which has been exercisable since March 2020. With reference to the 2019 Annual Report and as mentioned above, following the disposal of the Group's railway business during the second half of 2019, the financial burden of the Group had been substantially eased off; and the Directors had been in negotiation with investors for possible fund raising exercises and would continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which would bring in synergy with and positive contributions to the Group's existing businesses. As advised by the Directors, while exploring for possible fund raising exercises and taking into account the possible obligation to early repay the GIC CB, the Group noticed the possible uncertainties and unfavourable economic conditions resulting from the outbreak of COVID-19 and the decreasing trend of the closing price of the Shares since the start of 2020. The Directors consider that it would be in the interest of the Company to secure the Subscription opportunity in a timely manner. We concur with the Directors in this respect given that (i) the Group had imminent funding need for the repayment obligation of the GIC CB; (ii) immediately before 6 March 2020 (being the Last Trading Day), the closing price of the Shares was on a decreasing trend starting from 2020; and (iii) the Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and the Subscriber, and with reference to the then prevailing market price of the Shares (i.e. the Subscription Price and the Conversion Price represented a slight discount of approximately 3.03% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the Last Trading Day).

To further assess the fairness and reasonableness of the Subscription Price and the Conversion Price, we performed a trading multiple analysis which includes the price to sales ratio ("PSR") (it is impracticable to perform the price to earnings ratio or price to book value ratio analysis as the Group recorded loss for FY2019 and net liabilities as at 31 December 2019). We searched for listed companies in Hong Kong which engage in similar line of business as Group, being provision of chartered vessels (and derived more than 70% of their turnover from such business activities as explicitly indicated in their annual reports for the latest financial year). To the best of our knowledge and endeavour and as far as we are aware of, we found 4 companies which meet our selection criteria and they are exhaustive (the "**Comparable Company/(ies)**"). Set out

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below are PSRs of the Comparable Companies based on their closing prices as at the Latest Practicable Date, and their latest published financial information:

Company name (Stock Code)	Year-end date	PSR (note 1)
Jinhui Holdings Company Limited (137)	31 December 2019	0.60
Xin Yuan Enterprises Group Limited (1748)	31 March 2019	1.20
Yun Lee Marine Group Holdings Limited (2682)	31 December 2019	0.61
Great Harvest Maeta Group Holdings Limited (3683)	31 March 2019	7.46
Maximum		7.46
Minimum		0.60
The Subscription Price and the Conversion Price		1.30 (note 2)

Notes:

1. The PSRs of the Comparable Companies were calculated based on their total revenue (according to their respective latest published annual results) and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Latest Practicable Date.
2. Based on the Subscription Price and the Conversion Price of HK\$0.16 and the Group's revenue (from continuing operation) of approximately HK\$61.07 million for FY2019

The PSRs of the Comparable Companies ranged from approximately 0.60 times to 7.46 times. The implied PSR of the Subscription Price and the Conversion Price is within the said PSR range of the Comparable Companies.

As part of our analysis, we also identified transactions regarding subscription of new shares under specific mandate for cash during the period from 1 September 2019 (being approximately six months prior to the date of Subscription Agreement) up to the Latest Practicable Date as announced by companies listed on the Stock Exchange (the “**Share Comparables**”). To the best of our knowledge and as far as we are aware of, we found 17 transactions which met the said criteria and they are exhaustive. Despite that the businesses, operations and prospects of the Company are not the same as the subject companies of the Share Comparables, the Share Comparables can demonstrate the market practices of similar transactions during the selection period.

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Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price to closing price per share on the date of agreement in relation to the respective subscription of new shares (%)
Evergreen Products Group Limited (1962)	20 September 2019	(14.36)
Global Bio-chem Technology Group Company Limited (809)	27 September 2019	(20.00)
Hainan Meilan International Airport Company Limited (formerly known as Regal International Airport Group Company Limited) (357)	30 September 2019	(8.40)
BeiGene, Ltd. (6160)	1 November 2019	25.47 (Note 1)
Panda Green Energy Group Limited (686)	19 November 2019	7.76
JTF International Holdings Limited (8479)	26 November 2019	Nil
Shoucheng Holding Ltd. (formerly known as Shougang Concord International Enterprises Company Limited) (697)	29 November 2019	(13.04)
Sunway International Holdings Limited (58)	8 January 2020	25.00
CT Vision (International) Holdings Limited (994)	22 January 2020	(21.57)
China Finance Investment Holdings Limited (875)	6 February 2020	(31.58)
Sinopharm Tech Holdings Limited (8156)	2 April 2020	(12.28)
Gemini Investments (Holdings) Limited (174)	3 April 2020	81.82
Creative China Holdings Limited (8368)	9 April 2020	8.91
AsiaInfo Technologies Limited (1675)	14 April 2020	(27.62)
China Saite Group Company Limited (153)	20 April 2020	(18.70)
Binhai Investment Company Limited (2886)	23 April 2020	Nil
IR Resources Limited (8186)	28 April 2020	(39.13)
Maximum		81.82
Minimum		(39.13)
The subscription of the Subscription Shares		(3.03) (Note 2)

Notes:

1. Based on the HK\$/US\$ exchange rate of 7.78.
2. Based on the closing price per share of the company on the last trading day prior to the date of agreement in relation to the transaction.

The subscription prices of the Share Comparables ranged from a discount of approximately 39.13% to a premium of approximately 81.82% to/over the respective closing prices of the shares on the date of agreement in relation to the respective subscription of new shares (the “**Shares Discount/Premium Market Range**”). The Subscription Price, which represents a discount of approximately 3.03% to the Last Trading Day (“**Subscription Discount**”), falls within the Shares Discount/Premium Market Range.

Despite that the Subscription Price of HK\$0.16 falls below the closing price range of the Shares and average closing price of the Shares as quoted on the Stock Exchange during the Review Period, having considered (i) the financial position of the Group (as mentioned above, the Group recorded loss for four consecutive financial years since

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the year ended 31 December 2016; and net liabilities position and high gearing ratio as at 31 December 2016, 2017, 2018 and 2019); (ii) the reasons for and benefits of the Subscription as aforementioned; (iii) the Group had imminent funding need for the repayment obligation of the GIC CB; (iv) immediately before 6 March 2020 (being the Last Trading Day), the closing price of the Shares was on a decreasing trend starting from 2020; (v) the Subscription Price were determined after arm's length negotiations between the Company and the Subscriber, and with reference to the then prevailing market price of the Shares (i.e. the Subscription Price represented a slight discount of approximately 3.03% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the Last Trading Day); (vi) the implied PSR of the Subscription Price is within the PSR range of the Comparable Companies (i.e. the implied PSR of the Subscription Price is in line with companies engaging in similar business as the Group); and (vii) that the Subscription Discount falls within the Shares Discount/Premium Market Range (i.e. the Subscription Discount is in line with the similar transactions in the market), we consider that the Subscription Price is fair and reasonable.

The Convertible Bonds:

Set out below are the principal terms of the Convertible Bonds as extracted from the Board Letter:

Issuer	: The Company
Principal amount	: HK\$48,000,000
Maturity date	: The third anniversary of the date immediately after the initial issue date of the Convertible Bonds (the “ Maturity Date ”)
Interest	: The Convertible Bonds bear no interest.
Conversion Price	: The initial Conversion Price shall be HK\$0.16 per Conversion Share, subject to adjustment provisions.
Conversion period	: The period commencing on the initial issue date of the Convertible Bonds and ending on the Maturity Date (both days inclusive) (the “ Conversion Period ”).
Conversion rights	: The Bondholder shall have the right (the “ Conversion Right ”) to convert the whole or part (must be in multiple of HK\$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares during the Conversion Period.

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- Conversion restrictions : The Bondholder shall not exercise any Conversion Right and the Company shall not issue any Conversion Share in the event that the exercise of the Conversion Right by the Bondholder will cause: (1) the public float of the Company being less than 25% of its issued share capital; and/or (2) the Bondholder and/or parties acting in concert with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with Rule 26 of the Takeovers Code (except the Bondholder already acquired the whitewash waiver or undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code to make a general offer).
- Redemption on maturity or early redemption : All Convertible Bonds being not redeemed or converted by the Maturity Date according to the terms in the CB Instrument shall redeem by the Company with same amount of cash as the remaining principal amount of the Convertible Bonds on the Maturity Date. The Company can at any time redeem all or part of the principal amount of the Convertible Bonds which the Conversion Right is not yet exercised (Note) by issuing a notice with not less than 2 Business Days before the Maturity Date. For the avoidance of any doubt, under the situation without any events of default specified in the CB Instrument occurs, the Bondholder shall not require the Company to redeem the whole or remaining amount or any part of the principal amount of the Convertible Bonds before the Maturity Date.

Note: The Bondholder can choose to convert upon receipt of the redemption notice from the Company.

For further details and terms of the Convertible Bonds, please refer to the section headed “PRINCIPAL TERMS OF THE CONVERTIBLE BONDS” of the Board Letter.

As part of our analysis, we identified transactions in relation to the subscription of convertible bonds under specific mandate for cash during the period from 1 September 2019 (being approximately six months prior to the date of Subscription Agreement) up to the Latest Practicable Date as announced by companies listed on the Stock Exchange (the “**CB Comparables**”). To the best of our knowledge and as far as we are aware of, we found 11 transactions which met the said criteria and they are exhaustive. Despite that the businesses, operations and prospects of the Company are

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not the same as the subject companies of the CB Comparables, the CB Comparables can demonstrate the market practices of similar transactions during the selection period.

Company name (stock code)	Date of announcement	Maturity (Years)	Interest rate per annum (%)	Premium/(discount) of the conversion price to closing price per share on the date of agreement in relation to the respective subscription/placing of convertible bonds (%)
Asia Television Holdings Limited (707)	24 September 2019	3	6	85.19
Ban Loong Holdings Limited (30)	14 October 2019	2	3	(0.77)
Shoucheng Holding Ltd. (formerly known as Shougang Concord International Enterprises Company Limited) (697)	29 November 2019	2	Nil	(13.04)
Best Food Holding Company Limited (1488)	13 January 2020	5	Nil	12.38
		(Note 1)		
Huajun International Group Limited (377)	22 January 2020	5	Nil	192.31
Wai Chun Bio-Technology Limited (660)	23 January 2020	3	4	(16.92)
Sunshine Oilsands Ltd. (2012)	1 April 2020	2	8	26.40
South China Financial Holdings Limited (619)	7 April 2020	3	Nil	Nil
Century Sunshine Group Holdings Limited (509)	18 April 2020	2	8	18.67
				(Note 2)
Wai Chun Group Holdings Limited (1013)	21 May 2020	3	4	5.88
Asiaray Media Group Limited (1993)	4 June 2020	perpetual	4	15.38
		Maximum		
		Minimum		
		perpetual	8	192.31
		2	Nil	(16.92)
GIC CB		3	5.5	5.63
				(Note 3)
2018 CB		3	2.5	2.42
2019 CB		3	2.5	5.26
The Convertible Bonds		3	Nil	(3.03)
				(Note 2)

Notes:

1. Or 7 years, subject to agreement of the bondholder
2. Based on the closing price per share of the company on the last trading day prior to the date of agreement in relation to the transaction
3. Based on the closing price per share of the Company on date of deed of amendment dated 17 September 2019 in relation to the GIC CB

The conversion prices of the CB Comparables ranged from a discount of approximately 16.92% to a premium of approximately 192.31% to/over the respective closing price per share on the date of agreement in relation to the respective subscription of convertible bonds or the last trading day prior to the date of agreement in relation to the respective subscription of new shares, whichever applicable (the “**CB Discount/Premium Market Range**”). The Subscription Discount of approximately 3.03% falls within the CB Discount/Premium Market Range.

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Despite that (a) the Conversion Price of HK\$0.16 falls below the closing price range of the Shares and average closing price of the Shares as quoted on the Stock Exchange during the Review Period and (b) the Convertible Bonds (with a principal amount of HK\$48 million and Conversion Price of HK\$0.16) have a lower conversion price than those of the GIC CB (with an outstanding principal amount of HK\$100 million and conversion price of HK\$0.375 per Share), the 2018 CB (with an outstanding principal amount of HK\$18 million and conversion price of HK\$0.466 per Share) and the 2019 CB (with an outstanding principal amount of HK\$42.5 million and conversion price of HK\$0.30 per Share), having considered (i) the financial position of the Group (as mentioned above, the Group recorded loss for four consecutive financial years since the year ended 31 December 2016 and net liabilities position and high gearing ratio as at 31 December 2016, 2017, 2018 and 2019); (ii) the reasons for and benefits of the Subscription as aforementioned; (iii) the Group had imminent funding need for the repayment obligation of the GIC CB; (iv) immediately before 6 March 2020 (being the Last Trading Day), the closing price of the Shares was on a decreasing trend starting from 2020; (v) the Conversion Price were determined after arm's length negotiations between the Company and the Subscriber, and with reference to the then prevailing market price of the Shares (i.e. the Conversion Price represented a slight discount of approximately 3.03% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the Last Trading Day); (vi) the implied PSR of the Conversion Price is within the said PSR range of the Comparable Companies (i.e. the implied PSR of the Subscription Price is in line with companies engaging in similar business as the Group); and (vii) the Subscription Discount falls within the CB Discount/Premium Market Range (i.e. the Subscription Discount is in line with similar transactions in the market), we consider that the Conversion Price is fair and reasonable.

The GIC CB, the 2018 CB and the 2019 CB bear annual interest rates of 5.5%, 2.5% and 2.5% respectively, and the CB Comparables have annual interest rates of nil to 8%. Accordingly, we consider the zero interest rate of the Convertible Bonds to be fair and reasonable.

Taking into account the principal terms of the Subscription (including the Subscription Price of the Subscription Shares and the terms of the Convertible Bonds) as highlighted above, we are of the view that the terms of the Subscription are fair and reasonable and in the interest of the Independent Shareholders.

RECOMMENDATION

The Special Deals

As mentioned in the section headed “Reasons for and benefits of the Subscription and the use of proceeds” above, approximately HK\$169 million from the net proceeds of the Subscription will be used for the repayment of the GIC CB, the 2018 CB and the 2019 CB. The proposed repayment to the SD Bondholders constitutes special deals under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) Gram Capital to publicly state in its opinion that the terms of the Special Deals are fair and reasonable; and (iii) approval by the Independent Shareholders at the General Meeting.

As concluded above,

- (i) having considered (i) the said financial position of the Group; (ii) that the Company would be required to repay an aggregate principal amount of HK\$160.5 million at maturity for the GIC CB, the 2018 CB and the 2019 CB by 2021 and 2022 (as the case maybe); and (iii) the repayment of the GIC CB, the 2018 CB and the 2019 CB with the net proceeds from the Subscription, where the Convertible Bonds bear no interest, would reduce the Group’s financing costs (as confirmed by the Directors, the GIC CB, the 2018 CB and the 2019 CB together incur over HK\$7 million interest costs annually), we consider the use of proceeds for the repayment of the GIC CB, the 2018 CB and the 2019 CB to be fair and reasonable;
- (ii) the benefits of the Subscription would outweigh the dilution to the public Shareholders;
- (iii) having considered the reasons for and benefits of the Subscription and the use of proceeds from the Subscription being fair and reasonable, we are of the view that the Subscription (including its use of proceeds) is in the interests of the Company and the Shareholders (including the Independent Shareholders); and
- (iv) taking into account the principal terms of the Subscription (in particular, the Subscription Price of the Subscription Shares, and the Conversion Price and the zero interest rate of the Convertible Bonds are fair and reasonable), we are of the view that the terms of the Subscription are fair and reasonable and in the interest of the Independent Shareholders.

Accordingly, we also consider the Special Deals to be fair and reasonable and in the interest of Independent Shareholders. We advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the General Meeting to approve the Special Deals.

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The Subscription

As mentioned above, we are of the opinion that (i) the Subscription (including its use of proceeds) is in the interest of the Company and the Shareholders (including the Independent Shareholders) (where the benefits of the Subscription would outweigh the dilution to the public Shareholders); and (ii) the terms of the Subscription are fair and reasonable and in the interest of the Independent Shareholders. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Subscription (including the grant of Specific Mandate).

The Whitewash Waiver

With reference to the Board Letter, the Subscriber, Mr. Pang and parties acting in concert with any one of them do not, as at the Latest Practicable Date, own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) of the Company during the Relevant Period. Immediately upon the Completion as well as assuming no conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company, the Subscriber, Mr. Pang and parties acting in concert with any one of them will be interested in 1,100,000,000 Shares, representing approximately 221.79% of the existing total number of Shares in issue, and approximately 68.92% of the total number of Shares in issue as increased by the allotment and issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless, among others, the Whitewash Waiver is granted by the Executive. The Subscriber has applied for a waiver from the obligation to make a mandatory general offer pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver.

As further mentioned in the Board Letter, the Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% votes by the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription (including the grant of Specific Mandate) at the General Meeting by way of poll. The Subscription Agreement and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is not granted by the Executive or the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver are not approved by the Independent Shareholders at the General Meeting. If the Whitewash Waiver is approved by the Independent Shareholders, upon the issue of the Subscription Shares to the Subscriber and assuming there is no other change in the issued share capital of the Company, the interest of the Subscriber in the Company will exceed 50% and the Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of

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the Takeovers Code to make a general offer. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed.

In view of (i) the aforesaid reasons for and benefits of the Subscription and that the Subscription (including its use of proceeds) is in the interests of the Company and the Shareholders (including the Independent Shareholders); and (ii) that the terms of the Subscription are fair and reasonable and in the interest of the Independent Shareholders, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is (a) in the interests of the Independent Shareholders; (b) in the interests of the Company and the Shareholders (including the Independent Shareholders); and (c) fair and reasonable for the purpose of proceeding with the Subscription.

Accordingly, we recommend 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 Whitewash Waiver.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the financial years ended 31 December 2017, 2018 and 2019 are disclosed on pages 49–122 of the 2017 annual report published on 9 April 2018, pages 64–142 of the 2018 annual report published on 12 April 2019 and pages 69–146 of the 2019 annual report published on 9 March 2020, respectively.

The said annual reports 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/2020/0306/2020030600265.pdf>

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

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

Summary of financial information of the Group

No dividend was paid or declared by the Company during the three years ended 31 December 2017, 2018 and 2019.

The following is a summary of the audited consolidated results of the Group for the three years ended 31 December 2017, 2018 and 2019 as extracted from the relevant annual reports of the Company respectively:

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	15,797	50,669	61,072
Staff costs	(17,571)	(41,590)	(20,860)
(Impairment loss) Reversal of impairment loss on property, plant and equipment	8,980	9,000	(13,731)
Change in fair value of contingent consideration payable	(7,928)	4,228	3,700
Change in fair value of derivative components of GIC Convertible Bonds	—	(12,939)	17,508
Share of results of joint venture	9,718	(24,754)	(17,712)
Other operating expenses	(16,283)	(30,591)	(13,976)
Finance costs	(61,377)	(72,603)	(21,790)
Loss before tax	(97,403)	(168,775)	—
Loss before tax from continuing operations	—	—	(60,869)
Income tax expense	—	—	—
Loss for the year	(97,403)	(168,775)	—
Loss for the year from continuing operations	—	—	(60,869)
Loss for the year attributable to:			
— Owners of the Company	(62,004)	(138,559)	—
— Non-controlling interests	(35,399)	(30,216)	—
Total comprehensive loss attributable to:			
— Owners of the Company	(65,523)	(132,129)	—
— Non-controlling interests	(38,049)	(25,722)	—
Loss per share			
— Basic and diluted (<i>HK cents</i>)	(4.23)	(5.91)	—

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued operations			
Profit (Loss) for the year from discontinued operations	—	—	36,011
Loss for the year	—	—	(24,858)
Loss attributable to owners of the Company:			
— from continuing operations	—	—	(60,869)
— from discontinued operations	—	—	57,810
Loss attributable to non-controlling interests:			
— from continuing operations	—	—	—
— from discontinued operations	—	—	(21,799)
Total comprehensive loss attributable to:			
Owners of the Company	—	—	11,146
Non-controlling interests	—	—	(18,624)
(Loss) Earnings per share attributable to owners of the Company			
Basic and diluted			
— from continuing operations (<i>HK cents</i>)	—	—	(12.27)
— from discontinued operations (<i>HK cents</i>)	—	—	11.66

The following is a summary of the audited consolidated results of the Group for the years ended 31 December 2018 (re-presented) and 2019 as extracted from the relevant annual report of the Company:

	For the year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(re-presented)
Revenue	61,072	50,669
Staff costs	(20,860)	(37,194)
(Impairment loss) Reversal of impairment loss on property, plant and equipment	(13,731)	9,000
Change in fair value of derivative components of GIC Convertible Bonds	17,508	(12,939)
Share of results of joint venture	(17,712)	(24,754)
Other operating expenses	(13,976)	(21,800)
Finance costs	(21,790)	(14,115)
Loss before tax from continuing operations	(60,869)	(96,657)
Income tax expense	—	—
Loss for the year from continuing operations	(60,869)	(96,657)
Discontinued operations		
Profit (Loss) for the year from discontinued operations	36,011	(72,118)
Loss for the year	(24,858)	(168,775)
Loss attributable to owners of the Company:		
from continuing operations	(60,869)	(96,657)
from discontinued operations	57,810	(41,902)
Loss attributable to non-controlling interests:		
from continuing operations	—	—
from discontinued operations	(21,799)	(30,216)
(Loss) Earnings per share attributable to owners of the Company		
Basic and diluted		
from continuing operations (HK cents)	(12.27)	(20.61)
from discontinued operations (HK cents)	11.66	(8.93)
Total comprehensive loss attributable to:		
Owners of the Company	11,146	(132,129)
Non-controlling interests	(18,624)	(25,722)

Note: As disclosed in the annual report of the Company for the year ended 31 December 2019, the management considers that the railway construction and operations business that was disposed of upon completion of the very substantial disposal constituted discontinued operations. Accordingly, certain comparative figures in the consolidated financial statements for the year ended 2018 have been re-presented to separately reflect the results of the discontinued operations.

Save as disclosed above, there were no material items of income or expense in any of the years ended 31 December 2017, 2018 and 2019.

The following is a summary of the consolidated statement of financial position of the Group as at 31 December 2018 and 2019 as extracted from the relevant annual report of the Company:

	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	203,295	211,457
Intangible asset	1,000	1,000
Construction in progress	—	1,598,782
Railway construction prepayment	—	4,775
Right-of-use assets	2,325	—
Deposits paid for acquisition of property, plant and equipment	—	2,610
	<u>206,620</u>	<u>1,818,624</u>
Current assets		
Trade and other receivables	14,381	32,076
Financial assets at FVPL	7,037	—
Bank balances and cash	<u>8,414</u>	<u>18,456</u>
	<u>29,832</u>	<u>50,532</u>
Current liabilities		
Trade and other payables	19,474	154,669
Bank and other borrowings	—	1,647,783
GIC Convertible Bonds	83,301	—
Amount due to a joint venture	151,443	143,411
Amounts due to minority equity owners of subsidiaries	—	8,348
Lease liabilities	<u>2,474</u>	<u>—</u>
	<u>256,692</u>	<u>1,954,211</u>
Net current liabilities	<u>(226,860)</u>	<u>(1,903,679)</u>
Total assets less current liabilities	<u>(20,240)</u>	<u>(85,055)</u>

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Non-current liabilities		
Contingent consideration payable	—	3,700
GIC Convertible Bonds	—	71,330
Derivative components of GIC Convertible Bonds	—	15,157
2018 Convertible Bonds	13,814	12,152
2019 Convertible Bonds	<u>26,912</u>	<u>—</u>
	<u>40,726</u>	<u>102,339</u>
NET LIABILITIES	<u>(60,966)</u>	<u>(187,394)</u>
Capital and reserves		
Share capital	1,709,316	1,709,316
Reserves	<u>(1,770,282)</u>	<u>(1,769,240)</u>
Equity attributable to owners of the Company	(60,966)	(59,924)
Non-controlling interests	<u>—</u>	<u>(127,470)</u>
TOTAL DEFICITS	<u>(60,966)</u>	<u>(187,394)</u>

The following is the consolidated statement of cash flows of the Group for the year ended 31 December 2018 (re-presented) and 2019, as extracted from the relevant annual report of the Company:

	For the year ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(re-presented)	
OPERATING ACTIVITIES		
(Loss) Profit before tax		
from continuing operation	(60,869)	(96,657)
from discontinued operation	36,011	(72,118)
Depreciation of property, plant and equipment	13,836	8,848
Finance costs	62,143	72,603
Bank interest income	(1)	(28)
Loan interest income	(44)	—
Depreciation of right-of-use assets	2,326	—
Change in fair value of contingent consideration payable	(3,700)	(4,228)
Write-off of property, plant and equipment	29	549
Change in fair value of derivative components of convertible notes	—	4
Change in fair value of options/commitment to issue convertible notes	—	16
Equity-settled share-based payment expenses	3,730	20,858
Change in fair value of derivative components of GIC Convertible Bonds	(17,508)	12,939
Bad debts written off	345	—
Impairment loss (Reversal of impairment loss) on property, plant and equipment	13,731	(9,000)
(Reversal of impairment loss) Impairment loss on consideration receivable	(600)	9,750
Gain on disposal of property, plant and equipment	(2)	(220)
Share of results of joint venture	17,712	24,754
Gain on disposal of subsidiaries	(86,977)	—
Change in fair value of financial assets at FVPL	178	—
Effect of foreign exchange rate changes	2,917	8,802
Changes in working capital:		
Trade and other receivables	1,652	(2,838)
Trade and other payables	(7,775)	(11,603)
Amount due to a joint venture	(6)	(23)
Cash used in operations	(22,872)	(37,592)
Bank interest received	1	28
Interest paid	(41,349)	(58,244)
Net cash used in operating activities	(64,220)	(95,808)

	For the year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(re-presented)	
INVESTING ACTIVITIES		
Deposits paid for acquisition of property, plant and equipment	—	(2,610)
Payment for construction in progress	(1,852)	(2,538)
Refundable earnest money paid	(7,566)	—
Purchase of property, plant and equipment	(18,505)	(169,964)
Net cash outflow on disposal of subsidiaries	(146)	—
Purchase of financial assets at FVPL	(4,864)	—
Net cash used in investing activities	(32,933)	(175,112)
FINANCING ACTIVITIES		
New bank and other borrowings raised	93,106	210,903
Repayment of bank and other borrowings	(44,224)	(141,621)
Proceeds from issue of convertible notes	—	2,500
Proceeds from issue of 2018 Convertible Bonds	—	17,440
Proceeds from issue of 2019 Convertible Bonds	41,027	—
Proceeds from issue of GIC Convertible Bonds	—	98,778
Proceeds from issue of shares on placing	—	97,464
Redemption of convertible notes	—	(2,056)
Repayment of lease liabilities	(2,798)	—
Net cash from financing activities	87,111	283,408
Net (decrease) increase in cash and cash equivalents	(10,042)	12,488
Cash and cash equivalents as at 1 January	18,456	5,968
Cash and cash equivalents as at 31 December represented by bank balances and cash	8,414	18,456
Major non-cash transactions:		
Set off other receivable from Golden Concord Group Management Limited (“GCGM”) with other borrowings payable to lenders beneficially owned by Mr. Zhu Gongshan (“Mr. Zhu”)*	23,672	—

* Mr. Zhu is a beneficiary of a trust which is a substantial shareholder of the Company.

Details of emphasis of matter or material uncertainty related to going concern and disclaimer of opinion contained in the auditor's report***For the year ended 31 December 2019***

The auditor of the Company for the years ended 31 December 2019 and 2018 were Mazars CPA Limited (“**Mazars**”). The audit opinions of Mazars in respect of the year ended 31 December 2019 was not qualified nor modified, although an emphasis of matter or material uncertainty related to going concern was contained in the auditor's report of Mazars for the year ended 31 December 2019.

Material uncertainty related to going concern

We draw attention to the “Going concern basis” section in note 4 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred loss from continuing operations of HK\$60,869,000 for the year ended 31 December 2019 and, as at that date, the Group had net current liabilities and net liabilities of approximately HK\$226,860,000 and HK\$60,966,000 respectively. These conditions, along with other matters as set forth in note 4 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

For the year ended 31 December 2018

For the year ended 31 December 2018, Mazars expressed a disclaimer of opinion on the consolidated financial statements of the Group.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Asia Energy Logistics Group Limited and its subsidiaries set out on pages 68 to 141, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As a result of similar limitations of audit scope as mentioned below, a disclaimer of opinion was expressed by the predecessor auditor in its report dated 23 March 2018 on the consolidated financial statements of the Group for the year ended 31 December 2017.

(i) Impairment of non-current assets

Included in the consolidated statement of financial position as at 31 December 2017 are certain property, plant and equipment, construction in progress and railway construction prepayment (collectively referred to as the “**Railway Assets**”) with carrying amounts of approximately HK\$2,319,000, HK\$1,671,728,000 and HK\$8,737,000 respectively, which were arrived at after deducting impairment losses based on directors’ assessment of approximately HK\$624,000, HK\$335,742,000 and HK\$1,754,000 respectively.

As discussed in note 16 to the consolidated financial statements, the directors have performed an impairment assessment on the Railway Assets as at 31 December 2018 based on a valuation performed by an independent professional valuer. As a result of the impairment assessment, no further impairment loss or reversal of impairment loss for the year ended 31 December 2018 was considered necessary. Despite we are satisfied with the director’s impairment assessment of the Railway Assets as at 31 December 2018, we were unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the directors’ impairment assessment as at 31 December 2017, which may have a significant impact on the financial position of the Group as at 31 December 2017, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2018.

(ii) Material uncertainty related to going concern

As at 31 December 2018, the Group had net current liabilities of approximately HK\$1,903,679,000 (2017: HK\$1,907,312,000) and net liabilities of approximately HK\$187,394,000 (2017: HK\$192,022,000). In addition, it incurred a loss of approximately HK\$168,775,000 for the year ended 31 December 2018 (2017: HK\$97,403,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the directors of the Company and the development of the events as described in note 4 to the consolidated financial statements. The directors of the Company are of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. 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 statement of financial position at as 31 December 2018. In addition, the 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.

For the year ended 31 December 2017

The auditor of the Company for the year ended 31 December 2017 was BDO Limited and expressed a disclaimer of opinion on the consolidated financial statements of the Group.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Asia Energy Logistics Group Limited and its subsidiaries set out on pages 54 to 121, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Impairment losses on property, plant and equipment, construction in progress and railway construction prepayment

Included in the consolidated statement of financial position as at 31 December 2017 are certain property, plant and equipment with a carrying amount of HK\$2,319,000, construction in progress with a carrying amount of HK\$1,671,728,000 and the railway construction prepayment with a carrying amount of HK\$8,737,000 (2016: HK\$2,842,000, HK\$1,575,512,000 and HK\$8,235,000 respectively) (collectively referred to as the “**Railway Assets**”) which are related to the construction of the Zunxiao railway (the “**Zunxiao Railway**”) as explained further in Note 16 to the consolidated financial statements.

The construction work of the Zunxiao Railway has been suspended since July 2013 due to the fact that the compensation payable to the overlaid mine owner (the “**Mine Owner**”) has not yet been resolved as set out in Note 16 to the consolidated financial statements. As set out in Note 16 to the consolidated financial statements, the directors have performed an impairment review of the Railway Assets (the “**Impairment Review**”). Based on the Impairment Review, impairment losses of HK\$20,000, HK\$13,898,000 and HK\$72,000 (2016: HK\$645,000, HK\$314,015,000 and HK\$1,641,000, respectively) on the property, plant and equipment, the construction in progress and the railway construction prepayment respectively have been recognised for the year ended 31 December 2017 based on value in use calculation.

However, as detailed in Note 16 to the consolidated financial statements, although continuous effort has been made in negotiation with the Mine Owner, no agreement has been reached by the parties involved in respect of the terms of the compensation payable as at the date of issuance of these consolidated financial statements. Any agreement with the Mine Owner, the timing of such agreement and the amount of compensation payable to the Mine Owner are crucial in estimating the recoverable amount of the Railway Assets. Agreement with the Mine Owner must be reached before the construction of the Zunxiao Railway can be resumed. However, the directors have not made available to us details of the bases for determining the timing and amount of the compensation payable to the Mine Owner, and the timing of the expected resumption of the construction of the Zunxiao Railway. Accordingly, we were unable to obtain sufficient appropriate audit evidence we considered necessary to assess whether there should be any impairment or the amount of impairment loss recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017 based on the result of the Impairment Review was appropriate and whether there should be any adjustments to the carrying amounts of the Railway Assets as at 31 December 2017. There were no other alternative audit procedures that we could perform to satisfy ourselves as to whether such impairment losses and carrying amounts of the Railway Assets were free from material misstatement. In our audit of the Company’s consolidated financial statements for the year ended 31 December 2016 (the “**2016 Consolidated Financial Statements**”), the above mentioned circumstances and limitations on our scope of work also existed. We did not express an opinion on the 2016 Consolidated Financial Statements.

Any adjustment to the carrying amounts of the Railway Assets determined to be necessary had we been able to obtain sufficient appropriate audit evidence would have consequential direct effect on the Group’s net assets as at 31 December 2017, the Group’s net loss for the year ended 31 December 2017 and the related note disclosures in the consolidated financial statements.

Appropriateness of using going concern basis in preparation of the consolidated financial statements

As shown in the consolidated financial statements as at 31 December 2017, the Group had net current liabilities of HK\$1,907,312,000 and incurred a loss of HK\$97,403,000 for the year ended 31 December 2017 (2016: HK\$708,342,000 and HK\$433,367,000 respectively). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As detailed in Note 3(b)(ii) to the consolidated financial statements, in view of the above circumstances, the directors have prepared a cash flow forecast of the Group covering a period up to 30 June 2019 after taking into account the following major assumptions, (i) the Group would be able to successfully negotiate with a bank for an extension of the repayment date of the entire or partial amount of the bank loans of the Railway Companies which are due for repayment on 31 December 2018; (ii) the lenders (the “**Lenders**”) which have been providing financial support to the Railway Companies to meet their financial obligations continue to have sufficient financial ability to provide the financial support to the Railway Companies; (iii) the shipping market conditions continue not to justify for further acquisition of vessels, such that the Group and the joint venture partner's mutual intention on withholding enforcement of or otherwise discharge the Group's financial obligations under a shareholders' agreement (as set out in Note 18 to the consolidated financial statements) would continue to remain unchanged during the forecast period; and (iv) the Group would be able to reach an agreement with the Mine Owner on the amount of compensation payable to the Mine Owner as planned so that the Group would be able to resume and complete the construction of the Zunxiao Railway. The directors consider the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2017. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of preparation of the consolidated financial statements on the going concern basis depends on whether the assumptions taken into account by the directors in the going concern assessment are reasonable and the above plans and measures can be implemented successfully.

However, as detailed in the paragraphs above under the heading “Impairment losses on property, plant and equipment, construction in progress and railway construction prepayment”, there is limited audit evidence available to us in assessing the reasonableness of the assumptions regarding any agreement with the Mine Owner and the timing and amount of the compensation payable to the Mine Owner, which affects the probability and the timing of the resumption and completion of the construction of the Zunxiao Railway which are crucial for estimating the future cash flows of the Group and in assessing the Group's ability as a going concern. In respect of the other assumptions that the directors have relied on, there are significant uncertainties as to the outcomes of the plans and measures.

We were unable to determine whether the underlying assumptions used in preparation of the cash flow forecast are valid and therefore whether it is appropriate to prepare the consolidated financial statements on the going concern basis. There were no alternative audit procedures that we could perform in this regard. Should the going concern basis be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The directors of the Company also have prepared the 2016 Consolidated Financial Statements on a going concern basis with underlying assumptions similar to those adopted in 2017 as stated above. In our audit of the 2016 Consolidated Financial Statements, we were also unable to obtain sufficient appropriate audit evidence to determine whether the underlying assumptions used in preparation of the cash flow forecast are reasonable. Together with the matter detailed under the heading "Impairment losses on property, plant and equipment, construction in progress and railway construction prepayment", we did not express an opinion on the 2016 Consolidated Financial Statements.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and the net proceeds from the Subscription, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of this circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

GIC CB

As at the close of business on 30 April 2020, the Group had outstanding GIC CB in the principal amount of HK\$100 million and interest payable of HK\$0.90 million which are secured by a vessel of the Group.

2018 CB

As at the close of business on 30 April 2020, the Group had outstanding 2018 CB in the principal amount of HK\$18 million and interest payable of HK\$0.22 million which are secured by a vessel of the Group.

2019 CB

As at the close of business on 30 April 2020, the Group had outstanding 2019 CB in the principal amount of HK\$42.5 million and interest payable of HK\$0.49 million.

Lease liabilities

As at the close of business on 30 April 2020, the Group had outstanding unpaid contractual lease payment amounting to approximately HK\$1.7 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 a joint venture

As at the close of business on 30 April 2020, the Group had outstanding amount of approximately HK\$154.0 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.

Material guarantees and contingent liabilities

Save 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 30 April 2020, 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.

4. MATERIAL CHANGE

Save as and except for below, there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) The Group recorded substantial decrease in trading securities as at 30 April 2020 as compared to that as at 31 December 2019 mainly due to the change in fair value of trading securities and the disposal of certain trading securities during the four months ended 30 April 2020 (“4M2020”).
- (ii) The Group recorded substantial decrease in cash and cash equivalents as at 30 April 2020 as compared to that as at 31 December 2019 mainly due to the payment of professional expenses (which mainly included part of the professional expenses in relation to the amendment of the GIC CB in 2019; the disposal of China Railway Logistic Holdings Limited in 2019; the Company's annual audit related matters; and the Subscription) and operating expenses during 4M2020.

- (iii) The Group recorded substantial decrease in trade and other payables as at 30 April 2020 as compared to that as at 31 December 2019 mainly due to the payment of the aforesaid professional expenses during 4M2020.
- (iv) The Group recorded substantial increase in revenue for 4M2020 as compared to that for the four months ended 30 April 2019 (“**4M2019**”) mainly due to the full employment of the Group’s three dry bulk carriers throughout 4M2020 (one dry bulk carrier was dry-docked during 4M2019). The Group also recorded substantial increase in gross profit for 4M2020 as compared to that for 4M2019 mainly due to the aforesaid increase in revenue.
- (v) The Group recorded negative other income, gains and losses for 4M2020 as compared to positive other income, gains and losses for 4M2019 mainly due to the fair value loss of the Group’s trading securities and the absence of bad debt recovery during 4M2020.
- (vi) The Group recorded substantial decrease in staff costs for 4M2020 as compared to that for 4M2019 mainly due to the reduced number of the Group’s employees during 4M2020 as compared to that during 4M2019.
- (vii) The Group recorded substantial decrease in other operating expenses for 4M2020 as compared to that for 4M2019 as a result of the deconsolidation of financial results of China Railway Logistic Holdings Limited and its subsidiaries (the disposal of 100% equity interest in China Railway Logistic Holdings Limited was completed in November 2019).
- (viii) The Group recorded substantial decrease in finance costs for 4M2020 as compared to that for 4M2019 as a result of the aforesaid deconsolidation of financial results of China Railway Logistic Holdings Limited and its subsidiaries, which was partially offset by the increase in finance costs upon the issue of convertible bonds by the Company in November 2019.
- (ix) The Group recorded substantial decrease in loss for 4M2020 as compared to that for 4M2019 as a result of the aforesaid increase in gross profit and decreases in staff costs, other operating expenses and finance costs, which was partially offset by the aforesaid change in other income, gains and losses.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the shipping and logistics businesses.

As disclosed in the annual report of the Company for the year ended 31 December 2019, following the disposal of the Group’s railway business during the second half of 2019, the financial burden of the Group has been substantially eased off. The Directors have been in negotiation with investors for possible fund raising exercises and will continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which will bring in synergy with and positive contributions to the Group’s existing businesses.

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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares as quoted by the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last day on which trading took place in each of the calendar months during the Relevant Period:

Date	Closing price per Share (HK\$)
2019	
30 September	0.35
31 October	0.335
29 November	0.305
31 December	0.4
2020	
31 January	0.355
28 February	0.196
6 March (being the Last Trading Day)	0.165
26 March (being the last Business Day immediately preceding the date of the Announcement)	Trading suspended
27 March (being the date of the Announcement)	Trading suspended
31 March	0.32
29 April	0.255
29 May	0.23
12 June (being the Latest Practicable Date)	0.215

The highest and lowest closing market prices of the Share recorded on the Stock Exchange during the Relevant Period were HK\$0.420 on 8 November 2019 and HK\$0.165 on 6 March 2020, respectively.

3. NUMBER OF SHARES IN ISSUE

The Company has no authorised share capital and its Shares have no par value. The issued number of Shares as at the Latest Practicable Date, immediately upon issuance of the Subscription Shares, and immediately upon issuance of the Subscription Shares and full conversion of all Convertible Bonds are as follows:

Issued number of Shares as at the Latest Practicable Date

495,975,244 Shares

Immediately upon issuance of the Subscription Shares

495,975,244 Shares in issue as at the Latest Practicable Date

1,100,000,000 Subscription Shares to be issued

1,595,975,244 Shares in issue immediately after issuance of the Subscription Shares

Immediately upon issuance of the Subscription Shares and all Convertible Bonds have been converted (for illustrative purposes only and subject to the Conversion Restrictions)

495,975,244 Shares in issue as at the Latest Practicable Date

1,100,000,000 Subscription Shares to be issued

300,000,000 Conversion Shares to be issued

1,895,975,244 Shares in issue immediately after issuance of the Subscription Shares and the Conversion Shares

All the issued Shares rank *pari passu* in all respects with each other, including, as to dividends, voting rights and return of capital. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

The Subscription Shares and the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue, including as to voting rights, return on capital and the rights to any dividends or distributions made or declared on or after the date of allotment of such Shares.

Since 31 December 2019 (the date to which the latest published audited financial statements of the Company were made up), and up to the Latest Practicable Date, no new Shares had been issued by the Company (other than under the Subscription Agreement) and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares.

Save as the Subscription disclosed in this circular, there has been no alteration in the issued share capital of the Company or proposed to be issued since 31 December 2019 (the date to which the latest published audited financial statements of the Company were made up).

4. SECURITIES OF THE COMPANY

As at the Latest Practicable Date, details of all classes of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company are as follows:

- (i) a total of 495,975,244 Shares are in issue;
- (ii) HK\$100,000,000 in outstanding principal amount of the GIC CB which may be converted into 266,666,666 new Shares at the conversion price of HK\$0.375 per Share;
- (iii) HK\$18,000,000 in outstanding principal amount of the 2018 CB which may be converted into 38,626,609 new Shares at the conversion price of HK\$0.466 per Share;
- (iv) HK\$42,500,000 in outstanding principal amount of the 2019 CB which may be converted into 141,666,666 new Shares at the conversion price of HK\$0.30 per Share; and
- (v) 20,000,000 ordinary shares in the share capital of the Company to be issued (subject to adjustment) as consideration pursuant to the sale and purchase agreement dated 18 December 2009 (as amended by the first supplemental agreement dated 24 December 2009 and the second supplemental agreement dated 28 April 2010) involving the acquisition of the entire equity interests in Ocean Jade as disclosed in the Company's circular dated 30 April 2010.

On 1 December 2009, Ocean Jade entered into the JV Agreement with Waibert to establish the JV Company which is to be held as to 50% by Ocean Jade and as to 50% by Waibert. Waibert and Ocean Jade are both investment holding companies.

Pursuant to the sale and purchase agreement dated 18 December 2009 (as amended by the first supplemental agreement dated 18 December 2009 and the second supplemental agreement dated 28 April 2010), these 20,000,000 consideration shares would only be allotted and issued upon attainment of the profit after tax of Ocean Jade for not less than HK\$20 million for the first 12 months after the commencement of commercial operation of the 4 vessels as

mentioned in the JV Agreement. The JV Group has extended the timeline for the acquisition of the remaining 2 vessels to 31 December 2020 under the 9th memorandum of mutual understanding dated 4 December 2019 entered into between the JV Company and its shareholders.

As at the Latest Practicable Date, only 2 vessels are in operation and it is not feasible for the commercial operation of all 4 vessels for 12 months prior to the Long Stop Date. As such, the Company confirms that these 20,000,000 consideration shares will not be allotted and issued during the period from the date of execution of the Subscription Agreement up to the Long Stop Date.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible into or giving rights to subscribe for, convert or exchange into any existing Shares, as the case may be.

5. DISCLOSURE OF INTERESTS

Interest of Directors

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 7)
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%

Name	Capacity	Number of Shares held	Approximate percentage of Shareholding (Note 7)
Credit Suisse Trust Limited ("CST")	Trustee	40,000,000 (Note 3)	8.06%
Ms. Mak Siu Hang Viola	Interest of controlled corporations	83,333,333 (Note 4)	16.0%
Value Convergence Holdings Limited	Beneficiary owner and interest of controlled corporations	57,621,333 (Note 5)	11.61%
Mr. Pang Yuet ("Mr. Pang")	Interest of controlled corporations	1,400,000,000 (Note 6)	282.27%

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 Shares (as adjusted as a result of the Share Consolidation) 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 Limited, 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 Shares (as adjusted as a result of the Share Consolidation) 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 (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) According to the individual substantial shareholder notice filed by Ms. Mak Siu Hang Viola (“**Ms. Mak**”) and the updated register of bondholders of the 2019 CB, Ms. Mak is deemed to be interested in 83,333,333 Shares through her interests in VMS Investment Group Limited, which is 100% owned by Ms. Mak. These 83,333,333 Shares represent the Shares to be issued (either in whole or in part) to VMS, being the bondholder of the 2019 CB in an aggregate amount of HK\$25,000,000, upon VMS’s conversion of the 2019 CB at a conversion price of HK\$0.30 per conversion share (subject to adjustments) pursuant to the terms and conditions as stipulated in the 2019 placing agreement and the bond instrument dated 14 November 2019. Details of the 2019 placing agreement and the 2019 CB are set out in the Company’s circular dated 29 July 2019.
- (5) According to the corporate substantial shareholder notice filed by Value Convergence Holdings Limited (“**VCH**”), VCH is the beneficial owner of 24,288,000 Shares and is also deemed to be interested in 33,333,333 Shares through its interests in VC Financial Group Limited (“**VCF**”), which is 100% owned by VCH. VCF owns 100% of VC Brokerage Limited (“**VCB**”). These 33,333,333 Shares represent the Shares to be issued (either in whole or in part) to VCB, a bondholder of the 2019 CB in an aggregate amount of HK\$10,000,000, upon VCB’s conversion of the 2019 CB at a conversion price of HK\$0.30 per conversion share (subject to adjustments) pursuant to the terms and conditions as stipulated in the 2019 placing agreement and the bond instrument dated 14 November 2019. Details of the 2019 placing agreement and the 2019 CB are set out in the Company’s circular dated 29 July 2019.
- (6) According to the individual substantial shareholder notice filed by Mr. Pang, Mr. Pang is deemed to be interested in 1,400,000,000 Shares through his interests in Oriental Solar Group Limited, the Subscriber, which is 100% owned by Mr. Pang. These Shares represent the Subscription Shares and the Conversion Shares to be issued to the Subscriber upon completion of the Subscription and upon issuance of the Conversion Shares. The Subscription Shares and the Conversion Shares represent approximately 282.27% of the existing total number of issued Shares, and approximately 73.84% of the total number of issued Shares as enlarged by the allotment and the issue of the Subscription Shares and the Conversion Shares (assuming there being no other changes in the total number of issued Shares between the Latest Practicable Date and the date of completion of the Subscription and the Conversion).
- (7) The approximate percentage of shareholdings was calculated based on the total number of Shares in issue of 495,975,244 Shares as at the Latest Practicable Date.

6. INTERESTS OF THE DIRECTORS

Interests in Contract or Arrangement

As at the Latest Practicable Date, except for the Subscription Agreement, none of the Directors were 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 2019, 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 service contract with the Company, or any of its subsidiaries or associated companies which:

- (i) (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the Announcement;
- (ii) was a continuous contract with a notice period of twelve months or more; or
- (iii) was a fixed term contract with more than twelve months to run irrespective of the notice period.

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 (Stock Code: 2322), a company listed on the Main Board of the Stock Exchange, which has a subsidiary engaged in the vessel chartering business and recently ceased such operation on 23 March 2020. Accordingly, 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 of the Company 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.

7. DISCLOSURES REQUIRED UNDER THE TAKEOVERS CODE

- (a) Other than entering into the Subscription Agreement, no member of the Subscriber, Mr. Pang and parties acting in concert with any one of them had acquired or disposed or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the Relevant Period.

- (b) Neither the Subscriber, Mr. Pang and parties acting in concert with any one of them will make any acquisitions or disposals of voting rights in the Company in the period between the Latest Practicable Date and the completion of the Subscription.
- (c) As at the Latest Practicable Date, neither the Subscriber, Mr. Pang and parties acting in concert with any one of them owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company.
- (d) As at the Latest Practicable Date, there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and of the Subscriber and which might be material to the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate and/or the Whitewash Waiver and/or the Special Deals.
- (e) Save for the Subscription and the section headed “Special Deals” in the letter from the board in this circular, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Subscriber, Mr. Pang and parties acting in concert with any one of them as at the Latest Practicable Date.
- (f) As at the Latest Practicable Date, neither the Subscriber, Mr. Pang and parties acting in concert with any one of them had received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the Subscription Agreement and the transaction contemplated thereunder including the grant of the Specific Mandate, the Whitewash Waiver and the Special Deals at the General Meeting.
- (g) As at the Latest Practicable Date, neither the Subscriber, Mr. Pang and parties acting in concert with any one of them owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company.
- (h) As at the Latest Practicable Date, there was no agreements or arrangements to which the Subscriber and/or its ultimate beneficial owner is a party which relate to the circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate and/or the Whitewash Waiver and/or the Special Deals (including any such agreements or arrangements that would result in any break fees being payable).

- (i) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by the Subscriber, Mr. Pang and parties acting in concert with any one of them.
- (j) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Subscriber, Mr. Pang and parties acting in concert with any one of them with any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate and/or the Whitewash Waiver and/or the Special Deals.
- (k) As at the Latest Practicable Date, there were no benefits given or to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate and/or the Whitewash Waiver and/or the Special Deals.
- (l) Save for the Subscription Agreement, there was no material contract had been entered into by the Subscriber, Mr. Pang and parties acting in concert with any one of them in which any Director has a material personal interest as at the Latest Practicable Date.
- (m) As at the Latest Practicable Date, there was no agreement, arrangement or understanding for any of the Subscription Shares and/or the Convertible Bonds to be transferred, charged or pledged to any other persons.
- (n) Save as set out in the section headed “Effect on Shareholding Structure of the Company” in the Letter from the Board in this circular and the section headed “Disclosure of Interests” in this Appendix II, the Subscriber, Mr. Pang and parties acting in concert with any one of them do not own or have control or direction over and did not deal in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.
- (o) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate and/or the Whitewash Waiver and/or the Special Deals.
- (p) As at the Latest Practicable Date, the Company did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber, and it had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Subscriber during the Relevant Period.

- (q) During the Relevant Period, other than the share options under the 2008 Share Option Scheme and the 2018 Share Option Scheme, the Directors do not hold any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Given the Company had cancelled and revoked all unexercised share options on 5 May 2020 (no share options which were granted under the 2008 Share Option Scheme and the 2018 Share Option Scheme have ever been exercised) of the Company under the 2008 Share Option Scheme and the 2018 Share Option Scheme, hence, as at the Latest Practicable Date, none of the Directors hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Save as these cancelled and revoked share options held by the Directors, none of the Directors had dealt in any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period. And as at the Latest Practicable Date, none of the Directors had any interest in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber nor had they dealt in any shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period.
- (r) Save as set out in the section headed “Effect on Shareholding Structure of the Company” in the Letter from the Board in this circular, no (i) subsidiary of the Company, (ii) pension fund of the Company or any of its subsidiaries, or (iii) person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Company, and none of them had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Company during the Relevant Period.
- (s) Save for the Subscription Agreement, as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and no such persons had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

- (t) No fund which was managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and no such persons had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.
- (u) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by the Company nor the Directors.
- (v) As at the Latest Practicable Date, other than the consideration paid for the issuance of the Subscription Shares and the Convertible Bonds, there was no other consideration, compensations or benefits in whatever form paid or to be paid by the Subscriber, Mr. Pang or parties acting in concert with any one of them to the Company or any Shareholder or any parties acting in concert with any one of them;
- (w) As at the Latest Practicable Date, save as set out in the section headed “Special Deals” in this circular, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, Mr. Pang or parties acting in concert with any one of them on one hand and (i) the Company and parties acting in concert with it; and/or (ii) the Shareholders, on the other hand; and
- (x) As at the Latest Practicable Date, save as set out in the section headed “Special Deals” in this circular, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on one hand and any Shareholders on the other hand.

8. 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.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Mazars CPA Limited	Certified Public Accountants
VC Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the above experts had 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 2019, being the date to which the latest published audited accounts of the Company were made up.

As set out in the section headed “Shareholding interests in the Company” of the “Letter from the board” in this circular, VC Capital Limited is a wholly-owned subsidiary of VC Holdings and a fellow subsidiary of VC Brokerage. Referring to Note 1 to Rule 3.5 of the Takeovers Code, as at the Latest Practicable Date, VC Holdings is interested in 24,288,000 Shares, representing approximately 4.90% of the issued Shares and VC Brokerage is one of the bondholders of HK\$10,000,000 of the 2019 CB.

Each of the above experts had 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.

10. 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 immediately preceding the date of the Announcement and up to and including the Latest Practicable Date of this circular and are or may be material:

- (i) the 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);

- (ii) the supplemental placing agreement dated 3 October 2018 entered into between the Company and VC Brokerage Limited in respect of the extension of the longstop date from 3 October 2018 to 18 October 2018 with regards to the placing agreement dated 4 September 2018 as set out under (i) above;
- (iii) the second supplemental placing agreement dated 18 October 2018 entered into between the Company and VC Brokerage Limited in respect of the further extension of the longstop date from 18 October 2018 to 1 November 2018 with regards to the placing agreement dated 4 September 2018 as set out under (i) above which was completed on 8 November 2018;
- (iv) the 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);
- (v) the agreement dated 29 August 2019 entered into between Top Fast Holdings Limited, an indirect wholly-owned subsidiary of the Company and Falcon Power Holdings Limited, an investment holding company and a wholly-owned subsidiary of Golden Concord Holdings Limited in relation to the disposal of the 100% equity interest in China Railway Logistic Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company at a consideration of RMB1.00, which was completed on 27 November 2019;
- (vi) the 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 (iv) above;
- (vii) the deed of amendment dated 17 September 2019 entered into between the Company and GIC Investment Limited in respect of the CB instrument of HK\$100,000,000 convertible bonds due 2021 which was completed on 20 November 2019, the amendments have become effective;
- (viii) the second supplemental placing agreement dated 4 October 2019 entered into between the Company and VC Brokerage Limited in respect of the further extension of the placing period from 4 October 2019 to 25 October 2019 and the longstop date from 31 October 2019 to 15 November 2019 with regards to the placing agreement dated 25 June 2019 as set out under (iv) above which was completed on 14 November 2019;

- (ix) agreements and the memorandum of mutual understanding of the major and connected transaction of the Company in relation to acquisition of entire equity interest in Ocean Jade and joint venture in relation to the JV Group:
- (i) the JV Agreement; whereby, *inter alia*, the JV Group shall acquire four vessels (including, but not limited to, two handy-size vessels and two Panamax vessels) provided that the acquisition price for all such four vessels shall be at the prevailing market price in the region of US\$114 million in aggregate;
 - (ii) the sale and purchase agreement dated 18 December 2009 (as amended by the first supplemental agreement dated 24 December 2009 and the second supplemental agreement dated 28 April 2010) entered into between Golden Concord Group Limited (a company incorporated in Hong Kong with limited liability which is beneficially owned by a discretionary trust, of which Mr. Zhu and his family are beneficiaries) as vendor and Ocean Path Limited (an indirect wholly owned subsidiary of the Company) as purchaser (the “**S&P Agreement**”) in relation to the acquisition of the entire equity interests in Ocean Jade by the purchaser at a consideration of HK\$160 million, which shall be satisfied by the purchaser by procuring the Company to issue to the vendor or its nominee(s) 20,000,000 Shares (as adjusted after the Share Consolidation) (subject to adjustment) as consideration shares, and pursuant to the second supplemental agreement, on the allotment date when the profit guarantee has been met. The profit guarantee refers to the guarantee given by the vendor to the purchaser that the net profit after tax of Ocean Jade as shown in the special audited accounts for the first 12 months after the commencement of operation of the last of the four vessels acquired in accordance with the JV Agreement. In the event the profit guarantee is not met (the “**Shortfall**”), the number of consideration shares that the vendor is entitled under the S&P Agreement shall be reduced pro-rate to the actual Shortfall;
 - (iii) the memorandum of mutual understanding (“**MOU**”) dated 24 August 2010 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 30 June 2011;
 - (iv) the second MOU dated 30 June 2011 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2011;
 - (v) the third MOU dated 4 January 2012 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2012;

- (vi) the fourth MOU dated 27 March 2013 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 30 June 2013;
- (vii) the fifth MOU dated 28 June 2013 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2013;
- (viii) the sixth MOU dated 7 May 2014 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2014 and 31 December 2015 respectively;
- (ix) the seventh MOU dated 13 March 2015 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2015 and 31 December 2016 respectively;
- (x) the eighth MOU dated 18 December 2018 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2019;
- (xi) the ninth MOU dated 4 December 2019 entered into between Ocean Jade, Waibert and the JV Company in relation to the extension of timeline in acquisition of two Panamax vessels, being the third vessel and fourth vessel as agreed in the JV Agreement to 31 December 2020; and
- (x) the Subscription Agreement.

11. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's largest customer accounted for 73% of the Group's revenue and 100% of the total revenue of the Group was attributable to the Group's top five customers.

For the year ended 31 December 2019, none of the Group's largest suppliers accounted for 30% of the Group's purchases.

In addition, none of the Directors or their close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the total issued Shares) have any interests in the major customers and suppliers as disclosed above.

12. DIRECTORS OF THE COMPANY

Set out below are the particulars and profile of the existing Directors of the Company:

(a) Particulars of the Directors of the Company

Name	Address
Executive Directors	
Mr. Fu Yongyuan	Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Mr. Wu Jian	Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Non-executive Director	
Mr. Yu Baodong (<i>Chairman</i>)	Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Independent Non-executive Directors	
Mr. Chan Chi Yuen	Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Mr. Wong Cheuk Bun	Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong
Mr. Chan Sing Fai	Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong

(b) Directors' Profile***Executive Directors******Mr. Fu Yongyuan ("Mr. Fu")***

Mr. Fu Yongyuan, aged 64, has been an executive Director since 6 July 2016 and is the chairman of the Executive Committee. He has been appointed as a member of the Remuneration Committee and an authorised representative of the Company under Rule 3.05 of the Listing Rules on 10 February 2019. Mr. Fu is a

marine engineer and an economist for the shipping management. He graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management and has over 40 years of experience in shipping and freight management. For two decades from 1972 to 1992, Mr. Fu served in the COSCO System including 廣州遠洋運輸公司 (COSCO Guangzhou). His responsibilities ranged from management of freight to vessel chartering operations.

Mr. Fu was an executive director of Titan Petrochemicals Group Limited (Stock Code: 1192), a company listed on the Main Board of the Stock Exchange, from 3 July 2012 to 30 September 2015.

Mr. Wu Jian (“Mr. Wu”)

Mr. Wu, aged 64, has been an executive Director and a member of the Executive Committee since 1 March 2019. He joined the Group on 1 January 2019 as General Manager — China Department. He graduated from Renmin University of China with a bachelor’s degree in political economics in 1983.

Mr. Wu started his career in 1983 by joining the China National Coal Group Corp. and held various senior positions including secretary of general office, manager of coal import and export department. During 1994 to 2007, Mr. Wu was the managing director of China Coal Hong Kong Ltd. He was then appointed as the assistant to president of China Coal Energy Company Limited (Stock Code: 1898), a company listed on the Main Board of the Stock Exchange, from 2007 and retired in early 2014. From April 2014 to June 2016, Mr. Wu was an executive director of Courage Marine Group Limited (now known as Courage Investment Group Limited) (Stock Code: 1145), a company listed on the Main Board of the Stock Exchange. Mr. Wu has more than 30 years of diversified experience in commodities trading, vessels operations as well as project financing.

Non-executive Director

Mr. Yu Baodong (Chairman) (“Mr. Yu”)

Mr. Yu, aged 56, has been a non-executive Director since 31 March 2009 and the Chairman since 26 January 2010. Mr. Yu is also the chairman of the Nomination Committee of the Company. He has over 10 years of experience in project investment and corporate management. He holds a master degree in Economics from the Renmin University of China and a doctorate degree in Economics from the Wuhan University. Mr. Yu was an executive director of GCL-Poly Energy Holdings Limited (Stock Code: 3800) from November 2006 to September 2014 and a non-executive director of GCL New Energy Holdings Limited (Stock Code: 451) from May 2014 to February 2015. Both companies are listed on the Main Board of the Stock Exchange.

*Independent Non-executive Directors**Mr. Chan Chi Yuen (“Mr. Chan”)*

Mr. Chan, aged 53, has been an independent non-executive Director of the Company since 30 September 2004. He is the chairman of both the Audit Committee and the Remuneration Committee and also a member of the Nomination Committee. Mr. Chan holds a bachelor degree with honours in Business Administration and a master of science degree with distinction in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants as well as the Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance.

Mr. Chan is currently an executive director and chief executive officer of Hong Kong ChaoShang Group Limited (formerly known as Noble Century Investment Holdings Limited) (Stock Code: 2322) and an executive director and chairman of Royal Century Resources Holdings Limited (Stock Code: 8125). Mr. Chan is also an independent non-executive director of Leyou Technologies Holdings Limited (Stock Code: 1089), all of which are listed either on the Main Board or GEM of the Stock Exchange.

Mr. Chan is a former executive director of Great Wall Belt & Road Holdings Limited (formerly known as e-Kong Group Limited) (Stock Code: 524) from June 2015 to October 2019 and a former independent non-executive director of each of Jun Yang Financial Holdings Limited (now known as Power Financial Group Limited) (Stock Code: 397) from January 2005 to October 2017, U-RIGHT International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited) (Stock Code: 627) from November 2010 to December 2017, Affluent Partners Holdings Limited (Stock Code: 1466) from December 2016 to September 2018, China Baoli Technologies Holdings Limited (Stock Code: 164) from April 2006 to September 2019, New Times Energy Corporation Limited (Stock Code: 166) from May 2006 to March 2020 and Media Asia Group Holdings Limited (Stock Code: 8075) from September 2009 to March 2020, all of which are listed on the Main Board or GEM of the Stock Exchange.

Mr. Wong Cheuk Bun (“Mr. Wong”)

Mr. Wong, aged 45, has been an independent non-executive Director and a member of the Audit Committee of the Company since 3 July 2017 and member of each of the Remuneration Committee and the Nomination Committee since 24 March 2018. He is a practising certified public accountant and currently an adjunct lecturer specialising in accounting and finance areas in various tertiary institutions in Hong Kong and Mainland China. Mr. Wong received a Master degree of Professional Accounting from the Hong Kong Polytechnic University. He is presently an associate member of the Hong Kong Institute of Certified

Public Accountants, the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has about 20 years of diversified experience in accounting and finance.

Mr. Chan Sing Fai (“Mr. Felix Chan”)

Mr. Felix Chan, aged 36, has been an independent non-executive Director and a member of the Audit Committee of the Company since 21 February 2020. He has over 12 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Felix Chan graduated from the Hong Kong Polytechnic University with a Bachelor’s degree with honors in accountancy in 2007 and attained a Master of Corporate Governance from the Hong Kong Polytechnic University in 2015. He is a member of the Hong Kong Institute of Certified Public Accountants and is an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. Felix Chan is currently the company secretary and financial controller of Global Bio-chem Technology Group Company Limited (Stock Code: 0809) and Global Sweeteners Holdings Limited (Stock Code: 03889), all of which are listed on the Main Board of the Stock Exchange.

13. 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 Chartered Governance Institute (formerly known as 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.
- (e) The auditor of the Company, Mazars CPA Limited, as Certified Public Accountants, is located at 42nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (f) The principal bankers of the Company are OCBC Wing Hang Bank Limited and BNP Paribas Hong Kong Branch.
- (g) The authorised representatives of the Company are Mr. Fu Yongyuan and Ms. Wong Shuk Ha with each correspondence address at Room 2404, 24/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

- (h) The legal adviser to the Company is WT Law Offices, situated in Units 1102–1103, 11/F., Prosperous Building, 48–52 Des Voeux Road Central, Hong Kong.
- (i) The financial adviser to the Company is VC Capital, located at 7/F, Centre Point, 181–185 Gloucester Road, Wanchai, Hong Kong.

14. INFORMATION ON THE SUBSCRIBER

The registered office of the Subscriber is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The legal adviser of the Subscriber in relation to the Subscription is Hastings & Co., the address of which is at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.

The principal member of the Subscriber's concert group is Mr. Pang, being the ultimate beneficial owner of the Subscriber. The sole director of the Subscriber is Mr. Pang. The address of Mr. Pang is Room 2906, 29/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection: (i) 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; (ii) on the website of the Company (<http://www.aelg.com.hk/>); and (iii) on the website of the SFC (<http://www.sfc.hk>) from the date of this circular up to and including the date of the General Meeting:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 December 2017, 2018 and 2019;
- (iii) the letter from the Board, the text of which is set out on pages 7 to 26 of this circular;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 27 to 28 of this circular;
- (v) the letter from Gram Capital to the Independent Board Committee, the text of which is set out on pages 29 to 53 of this circular;
- (vi) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (vii) the written consents referred to in the section headed "Experts and consents" in this appendix;
- (viii) the written letter of GIC Consent;

- (ix) the letter from the reporting accountant on the profit estimates, the text of which is set out on pages III-1 to III-3 of this circular;
- (x) the report from Gram Capital on the profit estimates, the text of which is set out on pages IV-1 to IV-2 of this circular; and
- (xi) this circular.

The above documents will be uploaded to the website of the SFC at <http://www.sfc.hk> and the Company's website at <http://www.aelg.com.hk/> from the date of this circular up to and including the date of the General Meeting in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code.



MAZARS CPA LIMITED
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17 June 2020

The Board of Directors

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

Dear Sirs,

**ASIA ENERGY LOGISTICS GROUP LIMITED (THE “COMPANY”) AND ITS
SUBSIDIARIES (THE “GROUP”)**

PROFIT ESTIMATES FOR FOUR MONTHS ENDED 30 APRIL 2020

We refer to the following statements (the “**Profit Estimates**”) as set out on page I-16 of the circular issued by the Company dated 17 June 2020 in relation to the proposed issue of new shares and convertible bonds under specific mandate:

- (i) *The Group recorded substantial increase in revenue for 4M2020 as compared to that for the four months ended 30 April 2019 (“4M2019”) mainly due to the full employment of the Group’s three dry bulk carriers throughout 4M2020 (one dry bulk carrier was dry-docked during 4M2019). The Group also recorded substantial increase in gross profit for 4M2020 as compared to that for 4M2019 mainly due to the aforesaid increase in revenue.*
- (ii) *The Group recorded negative other income, gains and losses for 4M2020 as compared to positive other income, gains and losses for 4M2019 mainly due to the fair value loss of the Group’s trading securities and the absence of bad debt recovery during 4M2020.*
- (iii) *The Group recorded substantial decrease in loss for 4M2020 as compared to that for 4M2019 as a result of the aforesaid increase in gross profit and decreases in staff costs, other operating expenses and finance costs, which was partially offset by the aforesaid change in other income, gains and losses.*

The Profit Estimates constitute profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors' Responsibilities

The Profit Estimates have been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the four months ended 30 April 2020, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2019, except for the adoption of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are applicable for the Group’s annual periods beginning on or after 1 January 2020 (the “Bases”).

The directors of the Company are solely responsible for the preparation of the Profit Estimates.

Our 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.

The firm applies Hong Kong Standard on Quality Control 1 “*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, 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 Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and the calculations of the Profit Estimates based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimates in accordance with the bases adopted by the directors of the Company and as to whether the Profit Estimates are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled in accordance with the Bases.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

17 June 2020

The Board of Directors

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

Dear Sirs,

Reference is made to the Circular dated 17 June 2020 issued by the Company. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise required.

We refer to the below statements made by the Company under the Circular (the “**Profit Estimates**”):

- (i) The Group recorded substantial increase in revenue for the four months ended 30 April 2020 (“**4M2020**”) as compared to that for the four months ended 30 April 2019 (“**4M2019**”) mainly due to the full employment of the Group’s three dry bulk carriers throughout 4M2020 (one dry bulk carrier was dry-docked during 4M2019). The Group also recorded substantial increase in gross profit for 4M2020 as compared to that for 4M2019 mainly due to the aforesaid increase in revenue.
- (ii) The Group recorded negative other income, gains and losses for 4M2020 as compared to positive other income, gains and losses for 4M2019 mainly due to the fair value loss of the Group’s trading securities and the absence of bad debt recovery during 4M2020.
- (iii) The Group recorded substantial decrease in loss for 4M2020 as compared to that for 4M2019 as a result of the increase in gross profit and decreases in staff costs, other operating expenses and finance costs, which was partially offset by the aforesaid change in other income, gains and losses.

The Profit Estimates constitute profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

The Directors prepared the Profit Estimates based on the unaudited consolidated management accounts of the Group for 4M2020 (the “**Management Accounts**”). The Management Accounts had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2019, except for the adoption of new and amendments to Hong Kong Financial Reporting Standards issued by the Hong Kong

Institute of Certified Public Accountants which are applicable for the Group's annual periods beginning on or after 1 January 2020 (the "**Bases**"). No assumption was involved in the making of the Profit Estimates as the Profit Estimates relate to a period already ended.

We have reviewed the Profit Estimates, the Management Accounts and the Bases which were provided by you and you as the Directors are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimates have been made, we have considered the report as contained in Appendix III to the Circular addressed to the Board from Mazars CPA Limited, being the auditor of the Company. Mazars CPA Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled in accordance with the Bases.

Having considered the above, we are of the opinion that the Profit Estimates (including the Bases) have been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Circular with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director



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 Asia Energy Logistics Group Limited (the “**Company**”) will be held at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 9 July 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement dated 8 March 2020 (the “**Subscription Agreement**”) entered into between the Company as the issuer, and Mr. Pang Yuet as the Subscriber (the “**Subscriber**”), (a copy of which has been produced to the General Meeting marked “A” and initialed by the chairman of the General Meeting for the purpose of identification), in relation to the subscription by the Subscriber (i) a total of 1,100,000,000 subscription shares at the subscription price of HK\$0.16 per subscription share (the “**Subscription Shares**”); and (ii) the convertible bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 conversion shares at the initial conversion price of HK\$0.16 (the “**Conversion Shares**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the board (the “**Board**”) of directors (the “**Directors**”) of the Company be and is hereby granted with a specific mandate to allot and issue the Subscription Shares and the Convertible Shares in accordance with the terms and conditions of the Subscription Agreement and the Subscription Shares and the Conversion Shares shall rank *pari passu* in all respects with the shares of the Company in issue on the date of allotment and issue; and

NOTICE OF GENERAL MEETING

- (c) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents, agreements and instruments 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 Subscription Agreement or any of the transactions contemplated thereunder provided that such further documents, agreements and instruments will be incidental to, ancillary to or in connection with the transactions contemplated in and for the completion of the Subscription Agreement.”

2. “THAT

- (a) subject to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates(s) giving consent (the “**Consents**”) as special deals under Note 5 to Rule 25 of the Code on Takeovers and Mergers (the “**Takeovers Code**”), and the satisfaction of all conditions, if any, attached to the Consent, the repayments of the GIC CB, the 2018 CB and the 2019 CB as more particularly set out in the section headed “SPECIAL DEALS” of the Company’s circular dated 17 June 2020 (the “**Special Deals**”), be and are hereby approved for the purpose of Rule 25 of the Takeovers Code; and
- (b) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents, agreements and instruments 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 Special Deals.”

3. “THAT

- (a) subject to the passing of the above resolutions number 1 and 2, as well as the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and fulfillment of any conditions that may be imposed thereon, the waiver (the “**Whitewash Waiver**”) of the obligation on the part of the Subscriber to make a mandatory general offer for all the issued ordinary shares of the Company and other securities in the Company which might otherwise arise as a result of the subscription for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of The Code on Takeovers and Mergers, the Whitewash Waiver be and is hereby approved; and

NOTICE OF GENERAL MEETING

- (b) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents, agreements and instruments 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 Whitewash Waiver.”

By order of the board of directors of
Asia Energy Logistics Group Limited
Fu Yongyuan
Executive Director

Hong Kong, 17 June 2020

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 3 July 2020 to 9 July 2020, 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 2 July 2020.