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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)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



THE AGREEMENT

On 15 January 2010 (after trading hours), the Vendor, the Placing Agent, the Company and Mr. Ko entered into the Agreement pursuant to which (i) the Placing Agent agreed to act as the placing agent, on a best-effort basis, to procure not less than six Placées for the Placing Shares comprising up to 1,500,000,000 existing Shares at the Placing Price of HK\$0.159 per Placing Share; and (ii) the Company agreed to allot and issue and the Vendor agreed to subscribe for the Subscription Shares comprising up to 1,500,000,000 new Shares at the Subscription Price of HK\$0.159 per Subscription Share.

The Placing is unconditional. The Subscription is conditional upon (i) the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Subscription Shares; (ii) the completion of the Placing pursuant to the Agreement; and (iii) if required, the granting of a waiver to the Vendor by the SFC from general offer obligations that might otherwise arise as a result of the Subscription.

Application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription.

Application will be made by the Company to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

THE AGREEMENT

Date

15 January 2010 (after trading hours)

Parties

- (1) The Vendor: King Castle Enterprises Limited
- (2) The Placing agent: CITIC Securities Brokerage (HK) Limited
- (3) The Issuer: The Company
- (4) The Warrantor: Mr. Ko Fong

The Vendor and the Warrantor

The Vendor is a substantial shareholder (as defined in the Listing Rules) of the Company and is the beneficial owner of an aggregate of 4,257,970,325 Shares, representing approximately 41.51% of the issued share capital of the Company as at the date of the Agreement. Mr. Ko is the beneficial owner of the entire issued share capital of the Vendor.

The Placing Agent

The Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

A. THE PLACING

Pursuant to the Agreement, the Vendor, the Placing Agent, the Company and Mr. Ko entered into the Agreement pursuant to which (i) the Placing Agent agreed to act as the placing agent of the Vendor, on a best-effort basis, to procure not less than six Placees for the Placing Shares comprising up to 1,500,000,000 existing Shares at the Placing Price of HK\$0.159 per Placing Share; and (ii) the Company agreed to allot and issue and the Vendor agreed to subscribe for the Subscription Shares comprising up to 1,500,000,000 new Shares at the Subscription Price of HK\$0.159 per Subscription Share.

Placees

The Placing Agent agreed to place the Placing Shares, on a best effort basis, to not less than six Placees who, and whose ultimate beneficial owners, shall be Independent Third Parties. It is not expected that any individual Placee will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placing and the Subscription. Further announcement will be made by the Company if any of the Placees will become a substantial Shareholder of the Company after the completion of the Placing.

Placing Shares

A maximum of 1,500,000,000 Placing Shares with an aggregate nominal value of HK\$15,000,000 represents (i) approximately 14.62% of the existing issued share capital of the Company of 10,257,027,100 Shares; and (ii) approximately 12.76% of the issued share capital of the Company of 11,757,027,100 Shares as enlarged by the allotment and issue of the Subscription Shares.

Rights of the Placing Shares

The Placing Shares will be sold free and clear of all Encumbrances and with all rights attaching thereto as at the Placing Completion Date, including the right to receive all dividends and other distribution which may be declared, made or paid in respect of the Placing Shares, the record date for which shall fall on or after the Placing Completion Date.

Placing Price

The Placing Price of HK\$0.159 represents:

- (i) a discount of approximately 19.70% to the closing price of HK\$0.1980 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.93% to the average closing price of approximately HK\$0.1914 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 226.49% to the Adjusted NAV per Share of approximately HK\$0.0487 per Share.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent and was determined at a premium of the Adjusted NAV. The Directors consider that the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Placing Commission

The placing commission to the Placing Agent pursuant to the Agreement is calculated by 3.5% of the aggregate Placing Price of the Placing Shares. The placing commission was determined by reference to the range of market norms for commissions for this type of transaction. The Directors are of the view that the placing commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The Placing is unconditional.

Completion of the Placing

Completion of the Placing will take place on or before 20 January 2010 (or such other date as may be agreed between the Vendor, the Placing Agent and the Company).

B. THE SUBSCRIPTION

Issuer

The Company

Subscriber

The Vendor

Subscription Shares

A maximum of 1,500,000,000 Subscription Shares with an aggregate nominal value of HK\$15,000,000 represents (i) approximately 14.62% of the existing issued share capital of the Company of 10,257,027,100 Shares; and (ii) approximately 12.76% of the issued share capital of the Company of 11,757,027,100 Shares as enlarged by the allotment and issue of the Subscription Shares.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of the Agreement.

Subscription Price

The Subscription Price of HK\$0.159 per Subscription Share is equivalent to the Placing Price.

Mandate to allot and issue the Subscription Shares

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the extraordinary general meeting of the Company held on 27 July 2009. Under the General Mandate, the Company is authorized to issue 1,871,405,420 Shares. As at the date of this announcement, no Shares have been issued under the General Mandate. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Conditions of the Subscription

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Subscription Shares;
- (ii) completion of the Placing pursuant to the Agreement; and
- (iii) if required, the granting of a waiver to the Vendor by SFC from general offer obligations that might otherwise arise as a result of the Subscription.

In the event of the conditions above not having been fulfilled within 14 days from the date of the Agreement (or such later date as may be agreed by the Vendor and the Company), all rights, obligations and liabilities of the parties thereunder in relation to the Subscription shall cease and determine and none of the parties shall have any claim against any other in respect of the Subscription.

Application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place on the second Business Day following the fulfillment of all the conditions or such other date to be agreed between the Vendor and the Company in writing. The Subscription must be completed on or before 29 January 2010, which is within 14 days from the date of the Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issuance of a separate announcement and approval of the independent Shareholders (being Shareholders other than the Vendor, its ultimate beneficial owners and their respective associates).

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Directors consider that the Placing and the Subscription represent a good opportunity to raise additional capital and to enhance the capital and shareholders' base of the Company.

The Directors consider that the Agreement is entered into upon normal commercial terms following arm's length negotiations among the Company, the Vendor and the Placing Agent and that the terms of the Agreement, the Placing and the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The maximum gross proceeds from the Placing and the Subscription will be HK\$238.5 million. The maximum net proceeds from the Placing and the Subscription (after deducting the placing commission) will be approximately HK\$230.15 million which is intended to be used for investment in the Company's proposed joint venture business which engages in coal shipment, working capital of the Company's railway construction and operation business and general working capital of the Group. The net price raised per Share upon completion of the Placing and the Subscription will be approximately HK\$0.153 per Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table summarizes the equity fund raising activity of the Company in the twelve-month period immediately before the date of this announcement:

Date of announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
8 June 2009	Issue of 1,200,000,000 Shares under the placing agreement dated 8 June 2009	Approximately HK\$142.74 million	General working capital and possible investment in the future	As intended use

Save as disclosed above, the Company has not conducted any equity fund raising activity in the twelve-month period immediately before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the authorized share capital of the Company consists of 120,000,000,000 Shares out of which 10,257,027,100 Shares are issued and fully paid up. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing but prior to completion of the Subscription; and (iii) immediately after completion of the Placing and the Subscription are as follows:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Placing but prior to completion of the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Vendor and parties acting in concert with the Vendor:						
King Castle Enterprises Limited (<i>Note 1</i>)	4,257,970,325	41.51	2,757,970,325	26.89	4,257,970,325	36.22
Delight Assets Management Limited (<i>Note 1</i>)	295,000,000	2.88	295,000,000	2.88	295,000,000	2.51
Subtotal	4,552,970,325	44.39	3,052,970,325	29.76	4,552,970,325	38.73
Mr. Liang Jun (<i>Note 2</i>)	2,000,000	0.02	2,000,000	0.02	2,000,000	0.02
Public Shareholders:						
The Placees	—	—	1,500,000,000	14.62	1,500,000,000	12.76
Other public Shareholders	5,702,056,775	55.59	5,702,056,775	55.59	5,702,056,775	48.50
Total	10,257,027,100	100.00	10,257,027,100	100.00	11,757,027,100	100.00

Notes:

- King Castle Enterprises Limited and Delight Assets Management Limited are wholly owned by Mr. Ko Fong.
- Mr. Liang Jun is the executive Director and chairman of the Company.

GENERAL

The Company is an investment holding company and the Group is principally engaged in the municipal solid waste incineration and power generation business in the PRC and railway construction and operation, and development of infrastructure projects in the PRC.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meaning ascribed to them below:

“Adjusted NAV”	the audited net asset value of the Company as at 31 December 2008 with adjustment for placing of new Shares pursuant to the placing agreement dated 8 June 2009 with net proceeds of HK\$142,740,000;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturday, Sunday or public holidays) on which banks are generally open for business in Hong Kong;
“Company”	Asia Energy Logistics Group Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning given to that term in the Listing Rules;
“Directors”	directors of the Company;
“Encumbrance”	means any interest or equity of any person (including any right to acquire, option or right of pre-emption), voting arrangement, mortgage, charge, pledge, bill of sale, lien, claims, deposit, hypothecation, assignment or any other encumbrance, priority or security interest or arrangement or interest under any contract or trust or any other third party interest of whatsoever nature over or in the relevant shares, assets or property;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 27 July 2009, among other matters, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the extraordinary general meeting;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Third Parties”	the parties who are not connected with the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Vendor or the Company or any of their respective subsidiaries or associated companies or any of their respective associates (as defined in the Listing Rules);
“Last Trading Day”	15 January 2010, being the last trading day of the Shares before the date of the Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Ko” or “Warrantor”	Mr. Ko Fong;
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the Agreement;
“Placing Agent”	CITIC Securities Brokerage (HK) Limited, a licensed corporation carrying on Type 1 and Type 4 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Agreement”	the agreement dated 15 January 2010 entered into among the Vendor, the Placing Agent, the Company and Mr. Ko in relation to the Placing and the Subscription;
“Placing Completion Date”	20 January 2010 or such other date as may be agreed among the Vendor, the Placing Agent and the Company;
“Placing Price”	HK\$0.159 per Placing Share;
“Placing Share(s)”	a maximum of 1,500,000,000 Shares beneficially owned by the Vendor to be placed pursuant to the Agreement;
“Placee(s)”	any person or entity whom the Placing Agent or its agent(s) has procured to subscribe for any of the Placing Shares;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the Agreement;
“Subscription Price”	the equivalent of the Placing Price;
“Subscription Share(s)”	a maximum of 1,500,000,000 new Shares;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;

“Vendor”	King Castle Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“PRC”	The People’s Republic of China;
“SFC”	The Securities and Futures Commission; and
“%”	per cent.

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

Hong Kong, 17 January 2010

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun (Chairman) and Ms. Yu Sau Lai; the non-executive directors of the Company are Mr. Tse On Kin and Mr. Yu Baodong; and the independent non-executive directors of the Company are Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Tsang Kwok Wa.