

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ASIA ENERGY LOGISTICS GROUP LIMITED

亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF VESSEL**

THE DISPOSAL AND THE MOA

On 23 May 2024 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the MOA pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Vessel at the Consideration of US\$9,500,000 (equivalent to HK\$74,100,000) according to the terms and conditions set out therein.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Listing Rules) in respect of the Disposal exceeds 75%, the MOA and the transactions contemplated thereunder constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements.

GENERAL

A GM will be convened and held for the Shareholders to consider and, if thought fit, approve the MOA and the transactions contemplated thereunder. A circular, containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the GM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 June 2024 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

Completion of the Disposal is conditional upon the fulfillment of the condition precedent as set out in the section headed “Condition precedent” below in this announcement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing with securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

On 23 May 2024 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the MOA pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Vessel at the Consideration of US\$9,500,000 (equivalent to HK\$74,100,000) according to the terms and conditions set out therein.

THE DISPOSAL AND THE MOA

The principal terms of the MOA are set forth below:

Date:

23 May 2024

Parties:

- (i) The Vendor; and
- (ii) The Purchaser

Subject matter of the Disposal:

Pursuant to the MOA, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Vessel named “Clipper Panorama” with the following particulars:

- (1) Flag: Hong Kong
- (2) Place of registration: Hong Kong
- (3) IMO: 9598995
- (4) Year built: 2011
- (5) DWT: 32,500

Consideration and payment terms

The Consideration payable by the Purchaser pursuant to the MOA is US\$9,500,000 (approximately HK\$74,100,000) and shall be payable by the Purchaser to the Vendor in the following manner:

- (i) The Deposit (equivalent to 10% of the Consideration) shall be lodged in an interest-bearing escrow account for the Parties with the Deposit Holder within three Banking Days after the date that (a) the MOA has been signed and exchanged by the Parties; and (b) the Deposit Holder has confirmed in writing to the parties that the escrow account has been opened and is ready to receive the funds; and
- (ii) the Deposit together with the 90% balance of the Consideration together with all other sums for the remaining bunkers and unused lubricating and hydraulic oil and greases as further stipulated in the paragraph headed “Delivery” below, shall be released in full free of bank charges to the Deposit Holder for further payment to the Seller’s bank account, but not later than (a) three Banking Days after the Vessel is in every respect ready and a notice of readiness has been given in exchange of signed protocol of delivery and acceptance signed by both Parties’ authorised representatives and all other documents the Parties have agreed; and (b) one Banking day prior to the agreed date of the Vessel’s delivery.

The Consideration of the Vessel was determined (i) by reference to the recently concluded sale and purchase transactions of second hand vessels of comparable type, size, condition of maintenance and year of build conducted in the market; (ii) by reference to the market value of the Vessel, being US\$9.5 million, based on the valuation performed by a reputable independent ship broker with leading positions in the industry, Hartland Shipping Services Limited (the “**Independent Valuer**”) (the “**Valuation**”) which has over 40 years of experience and their valuations are widely recognised by banks, insurance companies, and protection and indemnity clubs; (iii) taking into consideration the condition of the Vessel as well as the location and time of delivery to the Purchaser; and (iv) after arm’s length negotiations between the parties on normal commercial terms. The Directors consider that the Consideration in respect of the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In respect of the valuation of the Vessel, the Company obtained a formal valuation certificate from the Independent Valuer and has reviewed the valuation certificate and discussed with the Independent Valuer about the valuation approach and methodology adopted in the valuation of the Vessel. As advised by the Independent Valuer, the market approach has been adopted in the valuation of the Vessel. Market approach is the most commonly known valuation approach and is the most simple and direct method to adopt for transactions in relation to the disposal and acquisition of vessel, as market comparables are generally available and there is sufficient information to show the price levels that potential buyers and sellers are willing to pay and accept in the shipping industry. Market approach has been adopted for this transaction under the assumption that the Vessel is being sold in its existing states, in good working order and sound seaworthy condition as can be expected for a vessel of the size, type and classification of the Vessel, and that it is free from all classification society recommendations and freely transferable, and referenced to recently concluded sale transactions that

are comparable in the relevant market. Vessels with comparable age of 13 years to 15 years, size of 30,000 DWT to 35,000 DWT, and reputation of shipbuilders are selected as comparables, taken into account, and appropriately adjusted in order to arrive the fair value of the Vessel. The Independent Valuer has also made reference to their own internal database and shipbrokers shipping reports.

For the valuation of the Vessel, the Independent Valuer has considered factors including (i) the quality and reputation of the shipbuilder and the design of the Vessel; (ii) the country where the Vessel was built; (iii) the recent market activities including comparison with recent sales by age, size and/or quality of shipyard; (iv) the prices of similar vessels (in terms of size and age) which are for sale but unsold; and as adjusted by (i) the prolonged delivery period of the Vessel due to the time required for the Company to satisfy the condition precedent under the MOA; (ii) the condition of the Vessel and (iii) the fact that the Purchaser will proceed to major overhaul right upon delivery.

As an experienced market participant in the shipping industry, the Group has also continuously observed and monitored the sale and purchase market of vessels, including recent sales and purchase of similar vessels. During the course of the Board's review of the Valuation, the Board discussed with the internal shipping expert of the Group who has over 30 years of experience in the industry, and referenced to and relied on the market intelligence from time to time gathered by the Group on the shipping market, and based on the above, the Board considers the aforementioned valuation approach and methodology adopted in respect of the valuation of the Vessel to be in line with industry norm and market practice and are appropriate.

Delivery

The Vessel is to be delivered between 10 July 2024 and 30 July 2024 upon serving to the Purchaser of a notice of readiness (i.e. a notice in written form to be given by the Vendor to the Purchaser when the Vessel, and the delivery documents, including, among others, documents required for the Purchaser for their registration of the Vessel under their ownership and flag, are physically ready for delivery) by the Vendor.

The Purchaser shall also take over remaining bunkers and unused lubricating and hydraulic oils and greases in unbroached/sealed storage tins or in dedicated storage tanks and unopened/unbroached drums, the quantities of which are to be confirmed on the date of physical delivery of the Vessel, and the Purchaser shall pay the actual net price (always excluding barging expenses) as evidenced by relevant suppliers invoices or vouchers.

The Vendor may not tender the notice of readiness prior to the completion of the underwater inspection and/or drydocking (if required) in accordance with the terms of the MOA, and the Buyer shall have the option of cancelling the MOA should the Vendor fail to give the notice of readiness on or before 30 July 2024 (the "**Cancelling Date**"), or the parties may agree on a new delivery date in accordance with the MOA.

Save as disclosed in the paragraph headed "Cancellation and compensation" below, there is no additional break-up costs should the Company fail to provide the notice of readiness on or before the Cancelling Date.

Cancellation and compensation

Cancellation by the Vendor

Should the Deposit not be lodged by the Purchaser in accordance with the terms and conditions of the MOA, the Vendor has the right to cancel the MOA and the Vendor shall be entitled to claim compensation for its losses and for all expenses incurred together with interest.

Should the remaining balance of the Consideration not be paid in accordance with the terms and conditions of the MOA, the Vendor has the right to cancel the MOA, in which case the Deposit together with interest earned, if any, shall be released to the Vendor. If the Deposit does not cover the loss of the Vendor, the Vendor shall be entitled to claim further compensation for their losses and for all expenses incurred together with interest.

Cancellation by the Purchaser

If the Vendor anticipates that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date, it may notify the Purchaser in writing stating the date when the Vendor anticipates that the Vessel will be ready for delivery and proposing a new cancelling date. Upon receipt of such notification the Purchaser shall have the option of either (1) cancelling the MOA in accordance with its terms and conditions within three Banking Days of receipt of the notice; or (2) accepting the new date as the new cancelling date. If the Purchaser has not declared its option within three Banking Days of receipt of the Vendor's notification or if the Purchaser accepts the new date, the date proposed in the Vendor's notification shall be deemed to be the new cancelling date, substituting the original Cancelling Date.

The Purchaser may also at its option to cancel the MOA if the Vendor fails to (1) give a notice of readiness in accordance to the terms and conditions of the MOA; or (2) be ready to validly complete a legal transfer by the Cancelling Date. Under such circumstances, the Vendor shall make due compensation to the Purchaser for its loss and for all expenses together with interest if the Vendor's failure is due to proven negligence and whether or not the Purchaser cancels the MOA.

The Purchaser may also at its option to cancel the MOA if after a notice of readiness has been given but before the Purchaser has taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and a new notice of readiness is given.

Condition Precedent

The Disposal is only conditional upon the Company having obtained the requisite Shareholders' approval in respect of the MOA and the transactions contemplated thereunder in the GM in accordance with the Listing Rules within 45 days (or such longer period as agreed by the parties in writing) from the day of signing of the MOA. The aforementioned condition precedent is not waivable.

INFORMATION ON THE VESSEL

The Vessel has been owned by the Group since April 2018, and its audited net carrying value as at 31 December 2023 was approximately HK\$67,435,000. The financial information attributable to the Vessel for each of the two financial years ended 31 December 2022 and 31 December 2023 are set out below:

	For the year ended 31 December	
	2022	2023
	HK\$'000	HK\$'000
Revenue	33,811	49,026
Net profit (loss) before taxation	(1,022)	10,338
Net profit (loss) after taxation	(1,022)	10,338

INFORMATION ON THE GROUP AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are principally engaged in shipping and logistics business and telecommunications related business. The Vendor is an indirect wholly-owned subsidiary of the Company principally engaged in shipping and logistics business.

The Purchaser is a company incorporated in the Republic of Panama and is principally engaged in vessels owning and ship management. It is ultimately owned by Mr. Ioannis Zouzas. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Vessel was built in 2011 and has been in operation for over 13 years. According to the recent advice from the shipping management company engaged by the Group, the costs of the next major overhaul of the Vessel, which shall be completed by August 2024 for the purpose of the renewal of the class certificate, would be substantial. The major overhaul of the Vessel, which is required to be performed once every three years, is yet to commenced as it is expected that the Purchaser shall be responsible for such arrangement upon Completion. It is also expected there to be continued escalation in the maintenance costs due to the age of the Vessel, as well as the aging of the

machineries on the Vessel which are reaching their life limits. During the past financial year, the Company had incidentally managed to secure charter contract with a high charter rate, contributing to the increase in profit generated by the Vessel during FY2023, however, such charter contract will be expiring in July 2024. As set out in the annual report of the Company for FY2023, given the expected market conditions and the weaker-than-expected global economic growth and geopolitical developments causing adverse dislocations, the management of the Company expects that the new charter rate will be in line with the prevailing market charter rate and much lower than the existing rate under the current charter contract, and therefore the profitability of the Vessel is expected to decrease significantly. Taking into consideration both the costs of the major overhaul, maintenance and the expected decrease in revenue and profit to be generated by the Vessel, the Directors believe that the Disposal represents a good opportunity for the Group to realise the value of the Vessel. The proceeds from the Disposal can be used as funds for the Group to acquire another vessel as replacement, should appropriate opportunity arises, and for the purposes as set out in the paragraph headed “Use of Proceeds” below.

As at the date of this announcement, the Group operates a fleet of two dry bulk carriers trading worldwide. Upon Completion, it is expected that the Group shall continue to operate its shipping and logistics business through its remaining dry bulk carrier, and if suitable opportunity arises, a younger vessel of similar size of the Vessel to be acquired by the Group. The Group has no intention, understanding, negotiation and arrangement (concluded or otherwise) to downsize, cease or dispose of its existing business. Considering that subsequent to the Disposal the Group will still operate a dry bulk carrier of 32,500 DWT, our Directors believe that the Disposal will not have any material adverse effect on the operations of the Group and will enable the Group to enhance its working capital position and further strengthen its liquidity, through ongoing management of its assets.

The terms and conditions of the MOA were determined after arm’s length negotiations between the Vendor and the Purchaser and were on normal commercial terms. Based on the Valuation and for the reasons set out above, the Directors consider that the terms of the MOA are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

No Director has a material interest in the Disposal and was required to abstain from voting on the board resolutions approving the Disposal.

FINANCIAL EFFECT OF THE DISPOSAL

As at 31 December 2023, the audited net carrying value of the Vessel was approximately HK\$67,435,000. As a result of the Disposal, it is estimated that the Group will realise a gain on disposal of asset of approximately HK\$1,565,000. The actual gain which the Group would realise upon Completion will depend on the net carrying value of the Vessel as at date of delivery in accordance with the Group’s impairment and depreciation policy for its vessels as shown in the Company’s annual report and the actual costs of Disposal incurred as at the date of delivery in accordance with the MOA, and is also subject to audit that such gain will be reflected in the consolidated profit or loss account of the Group for the financial year in which the Disposal takes place.

USE OF PROCEEDS

The net proceeds from the Disposal after deducting relevant expenses (including professional fees and commissions) are estimated to be approximately US\$8,846,154 (approximately HK\$69,000,000), which is intended to be utilised as to (i) approximately HK\$48.0 million for the acquisition of a new vessel in replacement of the Vessel should appropriate opportunity arises and/or for funding other existing business developments; (ii) approximately HK\$11.0 million for repayment of certain outstanding payables which is expected to be utilised by December 2024; (iii) approximately HK\$3.5 million for outstanding drydock cost of Clipper Selo, the other dry bulk carrier of the Group, which is expected to be utilised by December 2024; and, (iv) approximately HK\$6.5 million for replenishing the general working capital of the Group which is expected to be utilised by June 2025.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the MOA and the transactions contemplated thereunder constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements.

GENERAL

A GM will be convened and held for the Shareholders to consider and, if thought fit, approve the MOA and the transactions contemplated thereunder. A circular, containing, among other things, (i) further information in respect of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the GM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 June 2024 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

Completion of the Disposal is conditional upon the fulfillment of the condition precedent as set out in the section headed "Condition precedent" above in this announcement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing with securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

"Banking Days"	days on which banks are open in Greece, Singapore, Germany, Hong Kong, United Kingdom, United States of America and United Arab Emirates
"Board"	the board of the Directors

“Company”	Asia Energy Logistics Group Limited (亞洲能源物流集團有限公司), a limited liability company incorporated in Hong Kong whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal
“Consideration”	a total consideration of US\$9,500,000 (approximately HK\$74,100,000) payable by the Purchaser to the Vendor pursuant to the terms of the MOA
“Deposit”	a deposit of 10% of the Consideration
“Deposit Holder”	means Hill Dickinson LLP, which shall hold and release the Deposit in accordance with the MOA
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Vessel subject to the terms of and conditions of the MOA
“DWT”	deadweight tonnage, the measurement of how much weight a vessel can carry
“FY2023”	the financial year ended 31 December 2023
“GM”	a general meeting of the Company to be held and convened to approve the MOA and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange

“MOA”	the memorandum of agreement dated 23 May 2024 entered into between the Vendor and the Purchaser in respect of the Disposal
“Parties”	the Vendor and the Purchaser, being the parties to the MOA
“Purchaser”	Niriis Shipping S.A., a company incorporated in the Republic of Panama or its guaranteed nominees
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the register holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Lotus Gold Shipping Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Vessel” or “Clipper Panorama”	Clipper Panorama, a bulk carrier vessel with Hong Kong flag, further particulars of which are set out in the paragraph headed “The Disposal and the MOA – Subject matter of the Disposal” above in this announcement
“%”	Per-cent

By order of the Board
ASIA ENERGY LOGISTICS GROUP LIMITED
Pang Yuet
Chairman and Executive Director

Hong Kong, 23 May 2024

As at the date of this announcement, the executive Directors are Mr. Pang Yuet (Chairman), Mr. Sun Peng and Mr. Hui Wai, and the independent non-executive Directors are Mr. Ng Kwun Wan, Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.

The exchange rate used for reference purpose in this announcement is US\$1.0 to HK\$7.8.