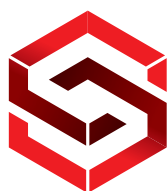


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## **Silk Road Logistics Holdings Limited**

**絲路物流控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 988)**

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) SUBSCRIPTION OF NEW SHARES;**
- (3) SCHEME OF ARRANGEMENT;**
- (4) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;**
- (5) APPLICATION FOR WHITEWASH WAIVER; AND**
- (6) SPECIAL DEAL**

### **1. PROPOSED CAPITAL REORGANISATION**

The Board proposes to reorganise the share capital of the Company in the following manner:

- (a) Share Consolidation: every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 will be consolidated into one (1) Consolidated Share of par value of HK\$1.00.

- (b) Capital Reduction: immediately after the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share. The credit arising from the Capital Reduction of approximately HK\$63,537,222 will be credited to the Contributed Surplus Account for use by the Directors in any manner as permitted under applicable laws and the Bye-laws.
- (c) Share Sub-division: immediately following the Capital Reduction, each of the authorised but unissued Consolidated Share of par value of HK\$1.00 each will be sub-divided into one hundred (100) New Shares of par value of HK\$0.01 each.
- (d) Share Premium Cancellation: to cancel the entire amounts standing to the credit of the share premium account to nil with the credit arising therefrom to be transferred to the Contributed Surplus Account and to authorise the Board to apply such amount in such manner as permitted under applicable laws and the Bye-laws.

Immediately following the Capital Reorganisation, the Company's authorised share capital will be HK\$2,000,000,000 divided into 200,000,000,000 New Shares of HK\$0.01 each, of which 64,179,012 New Shares will be issued as fully paid or credited as fully paid. The aggregate par value of the issued share capital of the Company will be HK\$641,790.12 (assuming that there will be no other change in the issued share capital of the Company from the date of this announcement until the effective date of the Capital Reorganisation).

## **2. SUBSCRIPTION OF NEW SHARES**

On 9 October 2023, 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 146,820,480 New Shares at the total Subscription Price of HK\$50,000,000, representing approximately HK\$0.341 per Subscription Share to the Subscriber.

Assuming there will be no other change in the number of New Shares from the date of this announcement until the date of Completion and after the adjustment for the effect of the Capital Reorganisation, the Subscription Shares represent (i) approximately 228.77% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and prior to the allotment and issue of the Subscription Shares and the Creditors' Shares; (ii) approximately 69.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (without taking into account the issue of the Creditors' Shares); and (iii) approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares in full.

The Subscription is subject to various conditions set out below under the paragraph headed "Conditions precedent to the Subscription", including, among others, the Capital Reorganisation having become effective, the Independent Shareholders' approval and the Executive having granted the Whitewash Waiver and consent to the Special Deal. If the Whitewash Waiver and consent to the Special Deal are not granted by the Executive or the Whitewash Waiver and the Special Deal are not approved by the Independent Shareholders, the Subscription Agreement will terminate forthwith.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **3. SCHEME OF ARRANGEMENT**

The Company proposes to implement, subject to the approval by the Court, financial restructuring of its liabilities by way of the Scheme in the following manner:

- (i) the Scheme Fund, being partial net proceeds from the Subscription of approximately HK\$10 million, will be transferred to and held by the Scheme Company A for distribution to the Scheme Creditors subject to adjudication;
- (ii) the Company will allot and issue up to a maximum of 82,055,358 Creditors' Shares, credited as fully paid, for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme. The Creditors' Shares will be issued in the form of physical share certificates by the Company, in the name of the Scheme Creditors, and will be provided to the Scheme Administrators for distribution to the Scheme Creditors following to the adjudication;
- (iii) upon the Scheme becoming effective, the Company will transfer the entire issued shares in City Joint, which in turn holds the Company's logistics business in Dongguan, its oil business in the United States and its investments in Inner Mongolia, to the Scheme Company B. After such transfer, the Excluded Subsidiaries will be indirectly held by the Scheme Company B with the result that the Scheme Company B will control the equity shares and assets of the Excluded Subsidiaries for the purpose of Realisation Proceeds;
- (iv) the Scheme Creditors' Claims against the Company and any claim(s) they may have against the Company and/or its respective officers, directors, advisors and representatives in relation to their participation and role in the preparation of the scheme document will be discharged in full in return for a pro rata share of the funds that are to be made available for distribution to the Scheme Creditors under the Scheme, being the Scheme Consideration; and

- (v) each Scheme Creditor with an Admitted Claim will be entitled to receive the Scheme Consideration.

The Scheme is subject to various conditions set out below under the paragraph headed “Conditions precedent to the Scheme”, including, among others, the Subscription having become unconditional (save and except for the Capital Reorganisation having become effective) and the Independent Shareholders’ approval.

### **LISTING RULES IMPLICATION**

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. In view of the liquidity and heavily indebted financial position of the Group as well as the prolonged suspension of the trading in the Shares on the Stock Exchange since 24 May 2022, the closing price of the Shares on the Last Trading Day does not reasonably reflect the existing condition of the Company and the financial position of the Company. Besides, there are practical difficulties to issue the Subscription Shares and the Creditors’ Shares without a substantial discount. Further, the Subscription will provide funds to discharge all Admitted Claims against the Company under the Scheme and to continue the Group’s business operations, and as such, facilitate the Resumption. As such, the above factors could be considered as exceptional circumstances under Rule 7.27B.

Accordingly, the Directors (excluding the non-executive Director and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the issue of the Subscription Shares involving a theoretical dilution effect of approximately 57.83% (without taking into account the issue of the Creditors’ Shares) is justified.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE**

### **Whitewash Waiver**

As at the date of this announcement, the Subscriber and parties acting in concert with it (including its ultimate beneficial owner, Ms. Choi) are interested in 51,946,150 Existing Shares, representing approximately 8.09% of the issued share capital of the Company. Immediately after completion of the Capital Reorganisation, the Subscription and the issue of the Creditors' Shares in full, the Subscriber and parties acting in concert with it will be interested in 152,182,085 New Shares, representing approximately 51.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares in full.

Under Rule 26.1 of the Takeovers Code, the acquisition of 30% or more of the voting rights in the Company by the Subscriber as a result of the Subscription would trigger an obligation on the Subscriber to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and its concert parties), unless the Whitewash Waiver is granted by the Executive.

An application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Subscription, in which (i) the Subscriber and its concert parties (including Ms. Choi), (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment) and (iii) the Shareholders who are involved in or interested in the Subscription and the transactions contemplated thereunder including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will terminate forthwith.

## **Special Deal**

### *Repayment of certain Scheme Creditors who are Shareholders under the Scheme*

As at the date of this announcement,

- (a) the Subscriber is a Scheme Creditor and also a Shareholder;
- (b) Xinya Global Limited is a Scheme Creditor and also a Shareholder which is interested in 43,822,412 Existing Shares, representing approximately 6.83% of the issued share capital of the Company;
- (c) Ms. Yuan Jing is a Shareholder. Her spouse, namely Mr. Cai Jianjun, and the company controlled by Mr. Cai Jianjun, namely China Yangtze River Petrochemical Group Limited, are Scheme Creditors. Ms. Yuan Jing is interested in 1,000,000 Existing Shares, representing approximately 0.16% of the issued share capital of the Company; and
- (d) Huarong Investment is a Shareholder and its fellow subsidiary, namely Oriental Express, is a Scheme Creditor. Huarong Investment is interested in 170,372,822 Existing Shares, representing approximately 26.55% of the issued share capital of the Company.

Save as disclosed above, none of the Scheme Creditors and parties acting in concert with any of them is a Shareholder.

The Scheme involves, among others, the proposed settlement of the indebtedness due to certain Scheme Creditors who are Shareholders. As such arrangement is not extended to all the other Shareholders, the repayment to certain Scheme Creditors (including any parties acting in concert with any of them) who are Shareholders under the Scheme constitutes a special deal under Rule 25 of the Takeovers Code.

As such, the Special Deal requires (a) consent by the Executive; (b) the Independent Financial Adviser to publicly state in its opinion whether the repayment to certain Scheme Creditors (including any parties acting in concert with any of them) who are Shareholders under the Scheme are fair and reasonable; (c) approval by the Independent Shareholders at the SGM, in which (i) the Subscriber and its concert parties (including Ms. Choi), (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment) and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the relevant resolution approving the Special Deal. The Company will apply to the Executive for consent to the Special Deal under Rule 25 of the Takeovers Code.

If consent to the Special Deal is not granted by the Executive or the Special Deal not approved by the Independent Shareholders, the Subscription Agreement will terminate forthwith.

#### **GENERAL**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Specific Mandate; (iv) the Whitewash Waiver, (v) the Special Deal and the respective transactions contemplated thereunder.



In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its concert parties (including Ms. Choi), (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment); and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal will be required to and will abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Scheme, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder at the SGM. Save as disclosed above, no other Shareholders, their respective associates or parties acting in concert with any of them will be required to abstain from voting on any resolution(s) to be proposed at the SGM.

In accordance with Rule 8.2 of the Takeovers Code, a circular containing, among others things, (i) further details of (a) the Capital Reorganisation; (b) the Subscription; (c) the Whitewash Waiver; (d) the Special Deal; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM is required to be despatched to the Shareholders no later than 21 days after the date of publication of this announcement. It is expected that the circular will be issued on or before 28 November 2023, being 21 days after the date of publication of this announcement.

**As the Capital Reorganisation, the Subscription and the Scheme are conditional upon the satisfaction of certain conditions precedent (including the Resumption), the Capital Reorganisation, the Subscription and/or the Scheme may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption given that the Resumption is subject to the fulfilment of the resumption guidance. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.**

References are made to the announcements of the Company dated (i) 1 June 2023 in relation to the appointment of restructuring adviser; and (ii) 21 August 2023 and 1 November 2023 in relation to the winding-up petition against the Company. On 9 October 2023, 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 146,820,480 New Shares at the Subscription Price of approximately HK\$0.341 per Subscription Share to the Subscriber. The Subscription is subject to various conditions set out below under the paragraph headed “Conditions precedent to the Subscription”, one of which being the Capital Reorganisation becomes effective.

## **1. CAPITAL REORGANISATION**

The Board proposes to reorganise the share capital of the Company in the following manner:

- (a) **Share Consolidation:** every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 will be consolidated into one (1) Consolidated Share of par value of HK\$1.00.
- (b) **Capital Reduction:** immediately after the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share. The credit arising from the Capital Reduction of approximately HK\$63,537,222 will be credited to the Contributed Surplus Account for use by the Directors in any manner as permitted by applicable laws and the Bye-laws.
- (c) **Share Sub-division:** immediately following the Capital Reduction, each of the authorised but unissued Consolidated Share of par value of HK\$1.00 each will be sub-divided into one hundred (100) New Shares of par value of HK\$0.01 each.
- (d) **Share Premium Cancellation:** the entire amounts standing to the credit of the share premium account of the Company will be cancelled to nil with the credit arising therefrom to be transferred to the Contributed Surplus Account and to authorise the Board to apply such amount in such manner as permitted under applicable laws and the Bye-laws.

## **Conditions of the Capital Reorganisation**

The Capital Reorganisation are conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve the Capital Reorganisation;
- (b) compliance with the requirements of section 46(2) of the Companies Act to effect the Capital Reorganisation and the Directors having satisfied that on the effective date of the Capital Reorganisation, there are no reasonable grounds for believing that the Company is, or after the effective date of the Capital Reorganisation would be, unable to pay its liabilities as they become due;
- (c) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked its approval for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation;
- (d) the Scheme having become unconditional; and
- (e) the compliance with the relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Capital Reorganisation.

None of the above conditions could be waived. The Capital Reorganisation shall become effective when the conditions mentioned above are fulfilled, further announcement will be made upon the Capital Reorganisation becoming effective.

## **Effect of the Capital Reorganisation**

As at the date of this announcement, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Existing Shares of par value of HK\$0.1 each, of which 641,790,129 Existing Shares have been issued and fully paid or credited as fully paid.

Immediately following the Capital Reorganisation, the Company's authorised share capital will be HK\$2,000,000,000 divided into 200,000,000,000 New Shares of HK\$0.01 each, of which 64,179,012 New Shares will be issued as fully paid or credited as fully paid. The aggregate par value of the issued share capital of the Company will be HK\$641,790.12 (assuming that there will be no other change in the issued share capital of the Company from the date of this announcement until the effective date of the Capital Reorganisation).

Based on the 641,790,129 Existing Shares in issue as at the date of this announcement, an amount of credit of approximately HK\$63,537,222 will arise as a result of the Capital Reduction. Shareholders and potential investors of the Company should note that the credit arising in the books from the Capital Reduction will be subject to change depending on the number of Shares in issue immediately prior to the Capital Reduction becoming effective.

It is proposed that the total credit arising in the accounts of the Company from the Capital Reorganisation to be transferred to the Contributed Surplus Account. The credits in the Contributed Surplus Account will be applied by the Directors in any manner as permitted under the applicable laws and the Bye-laws. Under the Capital Reorganisation, the entire amount standing to the credit of the Contributed Surplus Account (together with the credit arising from the Capital Reorganisation), in the aggregate sum of approximately HK\$2,335,581,222 will be applied to set off part of the accumulated losses of the Company as at the effective date of the Capital Reorganisation and be applied in any other manner as may be permitted under the Bye-laws and all applicable laws of Bermuda. As at 30 June 2023, the accumulated losses of the Company are approximately HK\$3,003,245,000. After the Capital Reorganisation, the amount standing to the credit of the Contributed Surplus Account will be zero and the amount of accumulated losses of the Company will decrease to approximately HK\$667,663,778.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company (i) as at the date of this announcement and (ii) immediately after the Capital Reorganisation becoming effective, assuming that there will be no other change in the issued share capital of the Company from the date of this announcement until the effective date of the Capital Reorganisation:

	<b>(i) As at the date of this announcement</b>	<b>(ii) Immediately after the Capital Reorganisation becoming effective</b>
Par value	HK\$0.1 per Existing Share	HK\$0.01 per New Share
Authorised share capital	HK\$2,000,000,000 divided into 20,000,000,000 Existing Shares	HK\$2,000,000,000 divided into 200,000,000,000 New Shares
Issued share capital	HK\$64,179,012.9 divided into 641,790,129 Existing Shares	HK\$641,790.12 divided into 64,179,012 New Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the shares of the Company regardless of the number of share certificates held by such holder.

Upon the Capital Reorganisation becoming effective, the New Shares shall rank *pari passu* in all respects with each other.

The Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Other than the expenses to be incurred by the Company in relation to the Capital Reorganisation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders as a whole.

## **Reasons for the Capital Reorganisation**

Pursuant to the laws of Bermuda and the Bye-laws, the Company shall not issue any shares at a price below par value. To provide for more flexibility on fundraising (including the issue of new Shares under the Subscription Agreement, the Scheme and in the future), the Board considers it necessary to implement the Capital Reorganisation, including the Share Consolidation, which will enable the par value of the Shares to be reduced from HK\$0.1 each to HK\$0.01 each and avoid the market price of the Shares approaching the extremities of HK\$0.01 as referred to under Rule 13.64 of the Listing Rules.

The credit in the Contributed Surplus Account arising from the Capital Reorganisation will be applied towards setting off the accumulated losses of the Company as at the effective date of the Capital Reorganisation, thereby reducing the accumulated losses of the Company, or be applied in any manner as permitted under the applicable laws and the Bye-laws. The Board considers that the offsetting of the accumulated losses of the Company will allow the Company to improve its equity position.

As such, the Directors are of the view that the Capital Reorganisation are in the best interests of the Company and the Shareholders as a whole.

## **Application for listing of the New Shares**

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

Subject to the granting of the listing of, and the permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

Further announcement(s) will be made to inform the Shareholders and potential investors of the Capital Reorganisation, including the proposed timetable and the arrangements for the free exchange of the New Share certificates for the Existing Share certificates, as and when appropriate.

## 2. SUBSCRIPTION OF NEW SHARES

On 9 October 2023, 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 146,820,480 New Shares at the total Subscription Price of HK\$50,000,000, representing approximately HK\$0.341 per Subscription Share to the Subscriber. A summary of the principal terms of the Subscription Agreement is set out below:

Date	:	9 October 2023
Parties	:	(1) the Company (as issuer); and (2) the Subscriber (as subscriber)
Subscription Price	:	approximately HK\$0.341 per Subscription Share
Total consideration for the Subscription		HK\$50,000,000
Number of Subscription Shares to be issued	:	146,820,480 New Shares

The Subscriber is a company incorporated in Hong Kong with limited liability which is a licensed money lender in Hong Kong principally engaged in money lending business. The Subscriber is directly beneficially wholly-owned by Ms. Choi as at the date of this announcement. As at the date of this announcement, each of the Subscriber and Ms. Choi directly holds 51,869,770 and 76,380 Existing Shares respectively, representing approximately 8.08% and 0.012% of the issued share capital of the Company respectively. As such, each of the Subscriber and its ultimate beneficial owner is an Independent Third Party.



Assuming there will be no other change in the number of New Shares from the date of this announcement until the date of Completion and after the adjustment for the effect of the Capital Reorganisation, the Subscription Shares represent (i) approximately 228.77% of the issued share capital of the Company immediately after the Capital Reorganisation becoming effective and prior to the allotment and issue of the Subscription Shares and the Creditors' Shares; (ii) approximately 69.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (without taking into account the issue of the Creditors' Shares); and (iii) approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares in full.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the SGM.

### **Conditions precedent of the Subscription**

Completion of the Subscription is conditional upon the fulfillment (or waiver, where applicable) of the following conditions precedent:-

- (a) the Subscriber being reasonably satisfied with the results of the due diligence review on the Group's assets, liabilities, operations, and affairs;
- (b) the Executive granting and not having withdrawn or revoked the Whitewash Waiver to the Subscriber, the conditions (if any) attached to the Whitewash Waiver being fulfilled (including the passing of the necessary resolutions at the SGM by way of poll by (i) more than 50% of the Independent Shareholders in respect of the Subscription; and (ii) at least 75% of the Independent Shareholders in respect of the Whitewash Waiver, if applicable);
- (c) the Executive granting and not having withdrawn or revoked its consent to the Special Deal under Rule 25 of Takeovers Code and the conditions (if any) attached to such consent being fulfilled;

- (d) the passing of the necessary resolutions by the Shareholders and/or Independent Shareholders (as the case may be) at the SGM in respect of the transactions contemplated under the Subscription Agreement (including but not limited to approving (i) the execution, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate; (iii) the Capital Reorganisation; (iv) the Whitewash Waiver; (v) the Scheme; and (vi) the Special Deal);
- (e) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked its approval for the listing of, and the permission to deal in, the Subscription Shares by no later than the close of business on the Business Day prior to the first day of their dealings on the Stock Exchange;
- (f) the Listing Division of the Stock Exchange having approved in principle of the Resumption;
- (g) the meetings of the Scheme Creditors having approved the Scheme;
- (h) the final sanction from the Court of the Scheme having been obtained (to the extent necessary);
- (i) the Capital Reorganisation having become effective;
- (j) all necessary consents and approvals as may be required in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained by the Company and such consents and approvals remaining in full force and effect;
- (k) all necessary consents and approvals as may be required in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained by the Subscriber and such consents and approvals remaining in full force and effect; and

- (l) the warranties given by the Company under the Subscription Agreement being true, accurate and correct in all material respects, not containing any material omissions and not misleading in any material respect.

Save for conditions (a) and (l) which may be waived by the Subscriber, none of the above conditions may be waived by either party to the Subscription Agreement. In the event that any of the conditions above is not fulfilled (or waived by the Subscriber, where applicable) on or before the Long Stop Date, the Subscription Agreement will terminate and all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine.

As at the date of this announcement, save as the approvals set out in conditions (b), (c), (d), (e), (f), (g) and (h) above, and the approval of the Subscription Agreement by the sole director of the Subscriber, the Company is not aware of other consents or approvals to be obtained on the part of each of the Subscriber and the Company in respect of the Subscription Agreement and the transactions contemplated thereunder.

As at the date of this announcement, none of the conditions above has been fulfilled.

### **The Subscription Price**

The total Subscription Price is HK\$50,000,000, representing approximately HK\$0.341 per Subscription Share, which represents (assuming the Capital Reorganisation became effective):

- (i) a discount of approximately 81.67% to the theoretical closing price of HK\$1.86 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 83.09% to the theoretical average closing price per New Share of HK\$2.016 as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.2016 per Share for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

- (iii) a discount of approximately 83.26% to the theoretical average closing price per Share of HK\$2.037 as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.2037 per Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately HK\$5.98 over the theoretical audited consolidated net liabilities attributable to owners of the Company as at 31 December 2022 of approximately HK\$6.321 per Share as adjusted for the effect of the Capital Reorganisation; and
- (v) a premium of approximately HK\$6.63 over the theoretical unaudited consolidated net liabilities attributable to owners of the Company as at 30 June 2023 of approximately HK\$6.967 per Share as adjusted for the effect of the Capital Reorganisation.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among others, (i) the financial position of the Group with net liabilities and low liquidity; (ii) the recent market conditions; (iii) the prolonged suspension of trading in the Shares on the Stock Exchange since 24 May 2022; and (iv) the fact that the Subscriber is willing to provide the Company with fresh money to proceed with its restructuring plan and continue its operations. The Directors (excluding the non-executive director and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the Subscription Price which is set at a premium over the net liabilities per New Share is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Completion of the Subscription**

Completion shall take place on any one day within 10 Business Days from the date on which all the conditions precedent of the Subscription are fulfilled (or waived, where applicable), or such other date as may be agreed between the Company and the Subscriber.

### **Lock-up arrangement for the Subscription Shares**

The Subscriber undertakes that it (or its nominee(s)) shall not, and shall procure that none of its subsidiaries or associates, within 18 months after the date of Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the Subscription Shares or any interest therein or grant any options or rights in respect of the Subscription Shares and in the event of a transfer or disposal of any of the Subscription Shares (save and except transfer to the subsidiaries or associates of the Subscriber) at any time during or after the expiry of the aforesaid period, the Subscriber will take all reasonable step to ensure that any such transfer or disposal will not create a false market in the Shares.

### **Ranking of the Subscription Shares**

The Subscription Shares will rank *pari passu* in all respects with each other and with the New Shares in issue on the date of the allotment and issue of the Subscription Shares in accordance with the Bye-laws.

### **Application for the listing of the Subscription Shares**

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

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Subscription is part of the corporate rescue action of the Company intended for providing relief to the Company's indebtedness and sufficient funding for the continuing operations of the Group.

As disclosed in the annual report of the Company, the Company recorded an audited loss attributable to owners of the Company for the year ended 31 December 2022 of approximately HK\$94,519,000, net liabilities and net current liabilities attributable to owners of the Company of approximately HK\$405,650,000 and HK\$652,265,000 respectively as at 31 December 2022. As disclosed in the interim report of the Company, the unaudited loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately HK\$35,066,000 and net liabilities and net current liabilities attributable to owners of the Company amounted to approximately HK\$447,063,000 and HK\$679,593,000 respectively as at 30 June 2023.

As the Directors understood from the Subscriber, the provision of restructuring funding and the Subscription is a comprehensive package to rescue the Company as well as to consolidate its control in the Company upon completion of the restructuring. The Subscription demonstrates the Subscriber's support and commitment to, the Company's business operations, as well as its confidence in its long-term development. Although the issuance of the Subscription Shares would have a dilution effect on the shareholding of the existing Shareholders, the Subscription was considered to be beneficial not only to the Scheme Creditors but also the Shareholders and the Company as a whole, because without the provision of the Scheme Funds from the Subscription, the Company would not be able to formulate the restructuring plan, and hence the implementation of the Scheme and the Resumption will not be achievable. As such, it is considered that the Subscription is an essential part of the corporate rescue and restructuring plan.

The Group is principally engaged in commodity trading, oil exploration, refining, production and sale, as well as logistics and warehousing. Trading in the Shares on the Stock Exchange has been suspended since 24 May 2022. On 6 June 2022, the Company has been notified by the Stock Exchange of the following resumption guidance:

- to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules.

Since the suspension of trading of the Shares on 24 May 2022, the Directors have spent strenuous effort in fulfilling the resumption guidance imposed by the Stock Exchange. The Group has continued to take active steps to address and comply with the resumption guidance of the Company, including the cooperation framework agreement entered into with an independent commodities supplier for cooperation on commodity trading and logistics business as disclosed in the Company's announcement dated 23 August 2023. The Board believes that the proceeds from the Subscription will enable the Group to implement its restructuring plan (including the Scheme) and continue and expand its current operations, which will in turn demonstrate its compliance with Rule 13.24 of the Listing Rules and facilitate the Resumption.

The Directors (excluding the non-executive Director and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that, taking into account of the above factors, the terms for the Subscription are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription are expected to be HK\$50 million in aggregate. After deducting related professional fees and all related expenses, the net proceeds of the Subscription will amount to approximately HK\$48.5 million and proposed to be applied or reserved towards: (i) approximately HK\$10 million for the Scheme Funds; and (ii) the remaining balance for the settlement of the restructuring expenses and general working capital of the Group.

### **3. SCHEME OF ARRANGEMENT**

The Company proposes to implement, subject to the approval by the Court, financial restructuring of its liabilities by way of the Scheme in the following manner:

- (i) the Scheme Fund, being partial net proceeds from the Subscription of approximately HK\$10 million, will be transferred to and held by the Scheme Company A for distribution to the Scheme Creditors subject to adjudication;
- (ii) the Company will allot and issue up to a maximum of 82,055,358 Creditors' Shares, credited as fully paid, for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme. The Creditors' Shares will be issued in the form of physical share certificates by the Company, in the name of the Scheme Creditors, and will be provided to the Scheme Administrators for distribution to the Scheme Creditors following to the adjudication;
- (iii) upon the Scheme becoming effective, the Company will transfer the entire issued shares in City Joint, which in turn holds the Company's logistics business in Dongguan, its oil business in the United States and its investments in Inner Mongolia, to the Scheme Company B. After such transfer, the Excluded Subsidiaries will be indirectly held by the Scheme Company B with the result that the Scheme Company B will control the equity shares and assets of the Excluded Subsidiaries for the purpose of Realisation Proceeds;

- (iv) the Scheme Creditors' Claims against the Company and any claim(s) they may have against the Company and/or its respective officers, directors, advisors and representatives in relation to their participation and role in the preparation of the scheme document will be discharged in full in return for a pro rata share of the funds that are to be made available for distribution to the Scheme Creditors under the Scheme, being the Scheme Consideration; and
- (v) each Scheme Creditor with an Admitted Claim will be entitled to receive the Scheme Consideration.

Based on the books and records currently available to the Company, as at 31 August 2023, the total estimated indebtedness owed by the Company to the Scheme Creditors amounts to approximately HK\$679,020,659.39. This indebtedness figure is indicative only and will be subject to the proof of debts in accordance with the terms of the Scheme, the final determination by the Scheme Administrators and (if applicable) adjudication under the Scheme.

The hearing of an application by the Company for an order to convene the Scheme Meeting to consider and, if thought fit, approve, with or without modification, the Scheme, pursuant to section 670 of the Companies Ordinance, has been fixed on 28 November 2023. As at the date of this announcement, the majority Scheme Creditor and another Scheme Creditor, with their debts amounting to approximately 76.14% and 3.24% of the total liabilities of the Company respectively as at 31 August 2023 meeting the requisite majority of not less than 75% in value of the Scheme Creditors, have indicated their support to the financial restructuring of the Company. The Company also received 5 other letters of support from other Scheme Creditors signifying their agreement to the terms of the Scheme and undertaking to vote in favour of the Scheme at the Scheme Meeting.

Subject to Sanction Order on the Scheme by the Court, the Scheme will become legally binding on the Company and the Scheme Creditors upon filing of the Sanction Order of the Court with the Companies Registry in Hong Kong.



As at the date of this announcement:

- (a) the Subscriber is a Scheme Creditor and also a Shareholder;
- (b) Xinya Global Limited is a Scheme Creditor and also a Shareholder which is interested in 43,822,412 Existing Shares, representing approximately 6.83% of the issued share capital of the Company;
- (c) Ms. Yuan Jing is a Shareholder. Her spouse, namely Mr. Cai Jianjun, and the company controlled by Mr. Cai Jianjun, namely China Yangtze River Petrochemical Group Limited, are Scheme Creditors. Ms. Yuan Jing is interested in 1,000,000 Existing Shares, representing approximately 0.16% of the issued share capital of the Company; and
- (d) Huarong Investment is a Shareholder and its fellow subsidiary, namely Oriental Express, is a Scheme Creditor. Huarong Investment is interested in 170,372,822 Existing Shares, representing approximately 26.55% of the issued share capital of the Company.

Save as disclosed above, all other Scheme Creditors are independent of and not connected with the Company and its subsidiaries, its connected person(s) and their respective associate(s) and no other Scheme Creditors are Shareholders.

City Joint is a company incorporated in the BVI principally engaged in investment holding, and its subsidiaries are principally engaged in logistics business, oil business and investments in Inner Mongolia. The said transfer of the entire issued shares in City Joint to the Scheme Company B may constitute a notifiable transaction under Chapter 14 of the Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

### **Application for the listing of the Creditors' Shares**

The allotment and issue of the Creditors' Shares is subject to the Independent Shareholders' approval. The Company will allot and issue the Creditors' Shares under the Specific Mandate to be granted by the Independent Shareholders at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Creditors' Shares.

## **Conditions precedent to the Scheme**

The Scheme shall become effective subject to the fulfilment of the following conditions precedent:

- (a) over 50% in number of the Scheme Creditors, representing at least 75% in value of the Scheme Creditors, present and voting in person or by proxy at the Scheme Meeting, vote in favour of the Scheme;
- (b) the Court sanctions the Scheme and an official copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (c) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the proposed restructuring including the Capital Reorganisation, the Subscription, the issue of Creditor Shares under the Scheme and the Special Deal, the grant of the Specific Mandate and the Whitewash Waiver;
- (d) all of the conditions precedent to the Subscription Agreement (save and except for the Capital Reorganisation having become effective) having been fulfilled (or as the case may be, waived); and
- (e) the Listing Committee of the Stock Exchange having granted approval or approval in-principle to the listing of and permission to deal in the Subscription Shares and the Creditors' Shares.

All the conditions precedent to the Scheme are not waivable. As at the date of this announcement, none of the conditions above have been fulfilled.

As the completion of the Subscription and the issue of the Creditors' Shares are inter-conditional upon each other, the Subscription Shares and the Creditors' Shares will be issued at the same time. In simple words, if for any reason the Subscription does not proceed, the issue of the Creditors' Shares will not proceed, and vice versa.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Capital Reorganisation becoming effective; (iii) immediately after completion of the issue of the Subscription Shares; and (iv) immediately after completion of the issue of the Subscription Shares and the Creditors' Shares in full:

	(i) As at the date of this announcement		(ii) Immediately after the Capital Reorganisation becoming effective		(iii) Immediately after completion of the issue of the Subscription Shares <sup>7</sup>		(iv) Immediately after completion of the issue of the Subscription Shares and the Creditors' Shares in full <sup>7</sup>	
	<i>Number of Existing Shares</i>	<i>Approximate %</i>	<i>Number of New Shares</i>	<i>Approximate %</i>	<i>Number of New Shares</i>	<i>Approximate %</i>	<i>Number of New Shares</i>	<i>Approximate %</i>
The Subscriber and parties acting in concert with it <sup>2</sup>	51,946,150 <sup>1</sup>	8.09	5,194,615	8.09	152,015,095	72.05	152,182,134 <sup>2</sup>	51.93
<b>Director/chief executive of the Company</b>								
Mr. Meng Fanpeng	48,000	0.01	4,800	0.01	4,800	0.00	4,800	0.00
<b>Other Scheme Creditors and their concert parties</b>								
Xinya Global Limited <sup>6</sup>	43,822,412	6.83	4,382,241	6.83	4,382,241	2.08	66,876,652	22.82
Ms. Yuan Jing and parties acting in concert with her	1,000,000	0.16	100,000	0.16	100,000	0.05	1,515,080 <sup>5</sup>	0.52
Huarong Investment and parties acting in concert with it <sup>3</sup>	170,372,822	26.55	17,037,282	26.55	17,037,282	8.07	19,697,075 <sup>4</sup>	6.72
Other Scheme Creditors (not being Shareholders as at the date of this announcement)	-	-	-	-	-	-	15,319,035	5.23
Other public Shareholders	374,600,745	58.36	37,460,074	58.36	37,460,074	17.75	37,460,074	12.78
<b>Total</b>	<b>641,790,129</b>	<b>100.00</b>	<b>64,179,012</b>	<b>100.00</b>	<b>210,999,492</b>	<b>100.00</b>	<b>293,054,850</b>	<b>100.00</b>

*Notes:*

1. 51,869,770 Existing Shares are beneficially owned by the Subscriber, which is directly wholly-owned by Ms. Choi, who beneficially owns 76,380 Existing Shares.
2. The Subscriber is a Scheme Creditor. The 152,182,134 New Shares consist of (i) 5,194,615 New Shares to be held by the Subscriber and Ms. Choi after the Capital Reorganisation becoming effective; (ii) 146,820,480 Subscription Shares to be issued to the Subscriber under the Subscription; and (iii) 167,039 Creditors' Shares to be issued to the Subscriber under the Scheme.
3. Huarong Investment is wholly-owned by Pure Virtue Enterprises Limited, which is in turn wholly-owned by China Huarong Overseas Investment Holdings Co., Limited, which is in turn wholly-owned by Huarong Huaqiao Asset Management Co., Ltd., which is in turn owned 91% by Huarong Zhiyuan Investment & Management Co., Ltd., which is in turn wholly owned by China Huarong Asset Management Co., Ltd. (stock code: 2799).
4. Since Oriental Express and Huarong Investment are parties acting in concert, the 19,697,075 New Shares consist of (i) 17,037,282 New Shares to be held by Huarong Investment after the Capital Reorganisation becoming effective; (ii) 2,659,793 Creditors' Shares to be issued to Oriental Express under the Scheme. Huarong Investment and parties acting in concert with it will be regarded as public Shareholders upon completion of the issue of the Subscription Shares and the Creditors' Shares.
5. Since Ms. Yuan Jing, Mr. Cai Jianjun and China Yangtze River Petrochemical Group Limited are parties acting in concert, the 1,515,080 New Shares consist of (i) 100,000 New Shares to be held by Ms. Yuan Jing after the Capital Reorganisation becoming effective; (ii) 267,065 Creditors' Shares to be issued to Mr. Cai Jianjun under the Scheme; and (iii) 1,148,015 Creditors' Shares to be issued to China Yangtze River Petrochemical Group Limited under the Scheme.
6. Xinya Global Limited is wholly-owned by Tewoo Import & Export (HK) Limited, which is in turn owned as to (a) 51% by Tewoo Group (Hong Kong) Limited and (b) 49% by Tewoo Import & Export Trading Co., Ltd. Tewoo Group (Hong Kong) Limited is directly wholly-owned by Tewoo Group Company Limited. Both Tewoo Group Company Limited and Tewoo Import & Export Trading Co., Ltd. are wholly owned by Tianjin Rongxin Co., Ltd., which is in turn wholly owned by CCB Trust Co., Ltd., which is (a) 67% directly held by China Construction Bank Corporation (中國建設銀行股份有限公司) (601939.SH; 0939.HK) and (b) 33% directly held by Hefei Xingtai Financial Holdings (Group) Co., Ltd. (合肥興泰金融控股(集團)有限公司), which is wholly owned by the State-owned Assets Supervision and Administration Commission of the Hefei Municipal People's Government (合肥市人民政府國有資產監督管理委員會).
7. The allocation of Creditors' Shares is based on (i) a maximum of 82,055,358 Creditors' Shares to be issued and (ii) the indebtedness of the Company as at 31 August 2023 which will be subject to the proof of debts in accordance with the terms of the Scheme, the final determination by the Scheme Administrators and (if applicable) adjudication under the Scheme. The number of Creditors' Shares to be allocated to each Scheme Creditor is set out above for illustrative purpose only and the actual figures may be different.

## **LISTING RULES IMPLICATION**

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. In view of the liquidity and heavily indebted financial position of the Group as well as the prolonged suspension of the trading in the Shares on the Stock Exchange since 24 May 2022, the closing price of the Shares on the Last Trading Day does not reasonably reflect the existing condition of the Company and the financial position of the Company. Besides, there are practical difficulties to issue the Subscription Shares and the Creditors' Shares without a substantial discount. Further, the Subscription will provide funds to discharge all Admitted Claims against the Company under the Scheme and to continue the Group's business operations, and as such, facilitate the Resumption. As such, the above factors could be considered as exceptional circumstances under Rule 7.27B.

Accordingly, the Directors (excluding the non-executive Director and the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the issue of the Subscription Shares involving a theoretical dilution effect of approximately 57.83% (without taking into account the issue of the Creditors' Shares) is justified.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE**

### **Whitewash Waiver**

As at the date of this announcement, the Subscriber and parties acting in concert with it (including its ultimate beneficial owner, Ms. Choi) are interested in 51,946,150 Existing Shares, representing approximately 8.09% of the issued share capital of the Company. Immediately after completion of the Capital Reorganisation, the Subscription and the issue of the Creditors' Shares in full, the Subscriber and parties acting in concert with it will be interested in 152,182,085 New Shares, representing approximately 51.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares in full.

Under Rule 26.1 of the Takeovers Code, the acquisition of 30% or more of the voting rights in the Company by the Subscriber as a result of the Subscription would trigger an obligation on the Subscriber to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and its concert parties), unless the Whitewash Waiver is granted by the Executive.

An application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Subscription, in which (i) the Subscriber and its concert parties (including Ms. Choi), (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment) and (iii) the Shareholders who are involved in or interested in the Subscription and the transactions contemplated thereunder including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will terminate forthwith.

## **Special Deal**

### *Repayment of certain Scheme Creditors who are Shareholders under the Scheme*

As at the date of this announcement:

- (a) the Subscriber is a Scheme Creditor and also a Shareholder;
- (b) Xinya Global Limited is a Scheme Creditor and also a Shareholder which is interested in 43,822,412 Existing Shares, representing approximately 6.83% of the issued share capital of the Company;

- (c) Ms. Yuan Jing is a Shareholder. Her spouse, namely Mr. Cai Jianjun, and the company controlled by Mr. Cai Jianjun, namely China Yangtze River Petrochemical Group Limited, are Scheme Creditors. Ms. Yuan Jing is interested in 1,000,000 Existing Shares, representing approximately 0.16% of the issued share capital of the Company; and
- (d) Huarong Investment is a Shareholder and its fellow subsidiary, namely Oriental Express, is a Scheme Creditor. Huarong Investment is interested in 170,372,822 Existing Shares, representing approximately 26.55% of the issued share capital of the Company.

The Subscriber, which is a licensed money lender, was a lender to the Group in respect of a loan for general working capital purpose (the “**Debt**”) granted in July 2020. The Subscriber was introduced as a Shareholder through two subscriptions of Shares in December 2020 and August 2021 for the purposes of improving the financial position of the Group and setting off part of the Debt. As disclosed in the Company’s announcement dated 27 January 2022 and circular dated 18 March 2022, the Subscriber also granted a loan to the Company for working capital of the Group. On 30 October 2023, the Company as borrower entered into a facility agreement with the Subscriber as lender in relation to the provision of a revolving loan facility of up to HK\$100 million, which is conditional upon the Resumption, for the purpose of financing the general working capital requirements of the Group. As at the date of this announcement, the Company is owed as to approximately HK\$1.4 million to the Subscriber.

Save as disclosed above, none of the Scheme Creditors and parties acting in concert with any of them is a Shareholder.

The Scheme involves, among others, the proposed settlement of the indebtedness due to certain Scheme Creditors who are Shareholders. As such arrangement is not extended to all the other Shareholders, the repayment to certain Scheme Creditors (including any parties acting in concert with any of them) who are Shareholders under the Scheme constitutes a special deal under Rule 25 of the Takeovers Code.

As such, the Special Deal requires (a) consent by the Executive; (b) the Independent Financial Adviser to publicly state in its opinion whether the repayment to certain Scheme Creditors (including any parties acting in concert with any of them) who are Shareholders under the Scheme are fair and reasonable; and (c) approval by the Independent Shareholders at the SGM, in which (i) the Subscriber and its concert parties (including Ms. Choi), (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment) and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the relevant resolution approving the Special Deal. The Company will apply to the Executive for consent to the Special Deal under Rule 25 of the Takeovers Code.

If consent to the Special Deal is not granted by the Executive or the Special Deal is not approved by the Independent Shareholders, the Subscription Agreement will be terminated forthwith.

## **INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

The Subscriber has confirmed that as at the date of this announcement, none of the Subscriber, Ms. Choi and parties acting in concert with any of them:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months before the date of this announcement (save for the Subscription Agreement);
- (b) save as the beneficial interest in 51,946,150 Existing Shares, owns, control or direct any voting rights and rights over any Existing Shares or any convertible securities, warrants or options in respect of the Existing Shares, nor have entered into any outstanding derivative in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;



- (c) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolutions approving the Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal at the SGM; and
- (d) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the date of this announcement, save as disclosed in the sections headed “2. Subscription of New Shares” and “Special Deal” this announcement:

- (a) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement, the Whitewash Waiver and the Special Deal;
- (b) there is no agreement or arrangement to which each of the Subscriber and parties acting in concert with it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement, the Whitewash Waiver and the Special Deal;
- (c) there is no disqualifying transaction (as described in paragraph 3 of Schedule VI to the Takeovers Code) by the Subscriber or any persons acting in concert with it within the six months before the date of this announcement;
- (d) save for the consideration paid or payable under the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Subscriber, Ms. Choi and the parties acting in concert with any of them to the Company in connection with the transactions contemplated under the Subscription Agreement, the Whitewash Waiver and the Special Deal;

- (e) save for the Special Deal, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Subscriber and the person acting in concert with any of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the transactions contemplated under the Subscription Agreement; and
- (f) save for the Special Deal, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Subscriber, Ms. Choi and the parties acting in concert with any of them; or (b) the Company, its subsidiaries or associated companies.

As at the date of this announcement, the Company is not aware that the Subscription and the transactions contemplated thereunder give rise to any concerns in relation to the compliance with other applicable rules or regulations (including the Listing Rules). Should such concern arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authorities as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver and the consent to the Special Deal if the Subscription and the transactions contemplated thereunder do not comply with any other applicable rules and regulations.

#### **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save for the entering into of the Subscription Agreement, the Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

## **INDEPENDENT BOARD COMMITTEE AND THE APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising the non-executive Director, Mr. Ouyang Nong and all the independent non-executive Directors, namely Ms. Ang Mei Lee Mary, Mr. Wu Zhao, Mr. Chu Kin Wang, Peleus and Mr. Lam Tin Faat, in compliance with Rule 2.8 of the Takeovers Code has been formed to advise the Independent Shareholders on the terms of the Subscription, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder and as to voting.

None of the members of the Independent Board Committee has any interest or involvement in the Subscription, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder. The Company will appoint the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Shareholders in accordance with the requirements under the Listing Rules and the Takeovers Code on such matters. Further announcement(s) will be made by the Company upon the appointment of the Independent Financial Adviser.

### **GENERAL**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Specific Mandate; (iv) the Whitewash Waiver; (v) the Special Deal and the respective transactions contemplated thereunder.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its concert parties (including Ms. Choi); (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment); and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder, including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal will be required to and will abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Scheme, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder at the SGM. Save as disclosed above, no other Shareholders, their respective associates or parties acting in concert with any of them will be required to abstain from voting on any resolution(s) to be proposed at the SGM.

In accordance with Rule 8.2 of the Takeovers Code, a circular containing, among others things, (i) further details of (a) the Capital Reorganisation; (b) the Subscription; (c) the Whitewash Waiver; (d) the Special Deal; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM is required to be despatched to the Shareholders no later than 21 days after the date of publication of this announcement. It is expected that the circular will be issued on or before 28 November 2023, being 21 days after the date of publication of this announcement.

**As the Capital Reorganisation, the Subscription and the Scheme are conditional upon the satisfaction of certain conditions precedent (including the Resumption), the Capital Reorganisation, the Subscription and/or the Scheme may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption given that the Resumption is subject to the fulfilment of the resumption guidance. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.**

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 24 May 2022. Pending fulfilment of the resumption guidance, trading in the Shares on the Stock Exchange will remain suspended until further notice.

## **DEFINITIONS**

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

- “acting in concert” has the meaning ascribed thereto under the Takeovers Code, and “party(ies) acting in concert”, “person(s) acting in concert” and “concert party(ies)” should be construed accordingly
- “Admitted Claim(s)” a Claim of a Scheme Creditor against the Company would be provable with reference to the relevant provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) on the effective date of the Scheme and which have been admitted by the Scheme Administrators to be appointed or the adjudicator (as the case may be) in accordance with the Scheme, including claims that have been admitted following adjudication
- “associate(s)” has the meaning ascribed thereto under the Listing Rules
- “Board” the board of Directors
- “Business Day” a day (other than a Saturday, Sunday, public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
- “BVI” the British Virgin Islands
- “Bye-laws” the bye-laws of the Company (as amended from time to time)

“Capital Reduction”	the proposed reduction of the par value of each Consolidated Share from HK\$1.0 to HK\$0.01 through the cancellation of the paid up capital of the Company to the extent of HK\$0.99 on each of the then issued Consolidated Shares
“Capital Reorganisation”	the proposed capital reorganisation of the Company’s share capital involving (a) the Share Consolidation; (b) the Capital Reduction; (c) the Share Sub-division; and (d) the Share Premium Cancellation
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“City Joint”	City Joint Investments Limited, an investment holding company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Claim(s)”	any debt, liability or obligation of the Company which arose on or before the latest date and time for delivery of the notice of Claim and proxy form under the Scheme, whether known or unknown, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute in Hong Kong or in any other jurisdiction or in any manner whatsoever which would be admissible to proof in a compulsory winding up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and which includes without limitation a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution, any liability arising out of any legal claims, whether certain or contingent together with all interest on such debt, obligation or liability, but excluding Preferential Claims and secured Claims

“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	Silk Road Logistics Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 988)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company immediately after the Share Consolidation but before the Capital Reduction becoming effective
“Contributed Surplus Account”	the contributed surplus account of the Company within the meaning of the Companies Act
“Court”	The High Court of Hong Kong
“Creditor(s)”	Creditor(s) of the Company
“Creditors’ Shares”	up to a maximum of 82,055,358 New Shares to be allotted and issued by the Company to the Scheme Creditors under the terms of the Scheme
“Directors”	the directors of the Company
“Excluded Subsidiaries”	City Joint and its subsidiaries

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission from time to time or any of his delegate(s)
“Existing Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huarong Investment”	China Huarong Investment Management Limited, being a Shareholder as at the date of this announcement
“Independent Board Committee”	an independent committee of the Board established which comprises all the non-executive Director and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who has no direct or indirect interest in the Subscription, the Scheme, the Whitewash Waiver or the Special Deal
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Shareholders in respect of the Subscription, the Specific Mandate, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder and whether the terms thereof are fair and reasonable and how to vote at the SGM



“Independent Shareholders”	Shareholder(s) other than (i) the Subscriber and its concert parties (including Ms. Choi), (ii) the Scheme Creditors who are also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment) and (iii) the Shareholders who are interested in or involved in the Subscription and the transactions contemplated thereunder including the Specific Mandate, the Scheme, the Whitewash Waiver and/or the Special Deal
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who are third parties independent of the Company and its connected persons
“Last Trading Day”	23 May 2022, being the last full trading day prior to the suspension of trading in the Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2024 (or such later time and date as may be agreed between the Company and the Subscriber)
“Ms. Choi”	Ms. Choi Lai Kuen, being the sole director of the Subscriber and who directly beneficially wholly-owns the Subscriber
“New Shares”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Oriental Express”	Oriental Express Investment Holdings Limited, being a Scheme Creditor

“Preferential Claim(s)”	specific debts that, by virtue of Section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time), are to be paid before other debts
“Realisation Proceeds”	the net monetary amounts obtained from the sale or other dispositions of the equity shares and/or assets of the Excluded Subsidiaries, which collectively represent the non-core assets of the Company
“Resumption”	the resumption of trading in the Shares on the Main Board of the Stock Exchange
“Sanction Order”	the approval or sanction on the Scheme by the Court
“Scheme”	the proposed scheme of arrangement for the Company to be made between the Company and the Scheme Creditors under Part 13 of the Companies Ordinance, as amended, supplemented or otherwise modified from time to time
“Scheme Administrators”	such persons who are to be appointed as scheme administrators pursuant to the terms of the Scheme, which are expected to be Ernst & Young Transactions Limited
“Scheme Company A”	a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators for dealing with the Scheme Consideration

“Scheme Company B”	a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators for controlling the equity shares and assets of the Excluded Subsidiaries for the purpose of Realisation Proceeds
“Scheme Consideration”	collectively, the Creditors’ Shares, the Scheme Fund and the Realisation Proceeds
“Scheme Creditors”	any person having a Claim: (a) which is not a person having Preferential Claim; and (b) which is not a secured Claim (and where the claim is only in part a secured Claim, then the person is a Scheme Creditor only to the extent of the unsecured part of the claim (i.e. after deducting the value of the security interest))
“Scheme Fund”	a total amount of HK\$10,000,000 from the net proceeds of the Subscription allocated for payment to the Scheme Creditors holding Admitted Claims
“Scheme Meeting(s)”	the meeting(s) of the Scheme Creditors to be convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme by the Scheme Creditors, and any adjournment thereof
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Capital Reorganisation, the Subscription, the Specific Mandate, the Whitewash Waiver and the Special Deal
“Share(s)”	Existing Share(s) and/or New Share(s), as the case may be

“Shareholders”	holder of the issued Shares
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.1 each in the issued share capital of the Company into one (1) issued and unissued Consolidated Share of par value of HK\$1.00
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Consolidated Share of par value of HK\$1.00 each into one hundred (100) New Shares of par value of HK\$0.01 each
“Special Deal”	the repayment to certain Scheme Creditors (including any parties acting in concert with any of them) who are Shareholders under the Scheme, which constitutes a special deal under Rule 25 of the Takeovers Code
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the SGM for the allotment and issue of the Subscription Shares and the Creditors’ Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Yick Chuen Credit Limited, a company incorporated in Hong Kong with limited liability and which is directly beneficially wholly-owned by Ms. Choi
“Subscription”	the conditional allotment and issue of the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement

“Subscription Agreement”	the agreement dated 9 October 2023 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the issue price of approximately HK\$0.341 per Subscription Share
“Subscription Share(s)”	the 146,820,480 New Shares to be allotted and issued under the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations on the part of the Subscriber to make a mandatory general offer for all the issued Shares and other securities (if any) of the Company, except those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, which would otherwise arise as a result of the completion of the Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board  
**Silk Road Logistics Holdings Limited**  
**Cheung Ngai Lam**  
*Executive Director*

Hong Kong, 7 November 2023

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cheung Ngai Lam and Mr. Chung Wai Man; one non-executive Director, namely Mr. Ouyang Nong; and four independent non-executive Directors, namely Mr. Wu Zhao, Ms. Ang Mei Lee Mary, Mr. Chu Kin Wang, Peleus and Mr. Lam Tin Faat.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, Ms. Choi Lai Kuen is the sole director of the Subscriber. The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Group) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed (other than those expressed by the Directors) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*