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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company and is being provided to you solely for the purpose of considering the resolutions to be voted upon at the SGM of the Company to be held on Friday, 1 March 2024 at 10:30 a.m.. The issuance of this circular does not necessarily mean that trading in the Shares will be resumed. The Company will make separate announcement in respect of the Resumption.

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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) APPLICATION FOR WHITEWASH WAIVER;
- (5) SPECIAL DEAL; AND
- (6) NOTICE OF SGM

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

**ALTUS CAPITAL LIMITED**

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Terms in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 13 to 50 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 53 to 101 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 51 to 52 of this circular.

A notice convening the SGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 1 March 2024 at 10:30 a.m. is set out on pages SGM-1 to SGM-8 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the SGM (i.e. Wednesday, 28 February 2024 at 10:30 a.m.(Hong Kong time)) or any adjournment or postponement thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment or postponement thereof should you so desire and in such event, the form of proxy shall be deemed to be revoked.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions 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 which 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) and which has been admitted by the Scheme Administrators or by the adjudicators (as the case may be) in accordance with the Scheme
“Announcement”	the announcement of the Company dated 7 November 2023 in relation to, among other things, the Capital Reorganisation, the Subscription, the grant of the Specific Mandate, the Scheme, the Whitewash Waiver and the Special Deal
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	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

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## DEFINITIONS

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“Bye-laws”	the bye-laws of the Company (as amended from time to time)
“Capital Reduction”	the proposed reduction in the issued share capital of the Company as detailed in the section headed “1. Capital Reorganisation”
“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, 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 (Cap. 32) 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 any Preferential Claims, Secured Claims, Operational Claims and any claims in relation to Scheme costs and restructuring costs

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## DEFINITIONS

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“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
“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
“Delisting Decision”	the decision of the Listing Committee to cancel the Company’s listing under Rule 6.01A of the Listing Rules
“Director(s)”	the director(s) of the Company
“Excluded Subsidiaries”	City Joint and its subsidiaries

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Department of the SFC from time to time or any delegate of the Executive Director
“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
“High Court”	The High Court of Hong Kong
“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 Latest Practicable Date
“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 Whitewash Waiver and the Special Deal
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and being the independent financial adviser to advise the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the Special Deal and whether the terms thereof are fair and reasonable and how to vote at the SGM

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## DEFINITIONS

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“Independent Shareholder(s)”	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, the Whitewash Waiver and the Special Deal (including Mr. Meng Fanpeng)
“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
“Latest Practicable Date”	6 February 2024, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Division”	the Listing Division of 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

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## DEFINITIONS

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“Operational Claim(s)”	certain debts of the Company to be set out in the scheme document for the Scheme which include, among others, professional and service fees and wages
“Oriental Express”	Oriental Express Investment Holdings Limited, being a Scheme Creditor
“Petition”	the winding-up petition presented by the Petitioner on 18 August 2023 at the High Court in relation to an indebted sum of approximately HK\$65.6 million
“Petitioner”	Wise Perfection Limited
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preferential Claim(s)”	any debts that, by virtue of Section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (as amended from time to time), would be paid in priority to the general unsecured debts of the Company if the Company were wound up on the basis of the Petition, excluding Operational Claims
“Qian’an Logistics”	Silk Road Logistics (Qian’an) Company Limited* (絲路物流(遷安)有限公司), a company established in the PRC, an indirect non wholly-owned subsidiary of the Company
“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
“Relevant Period”	the period commencing six month prior to 7 November 2023, being the date of the Announcement, and ending on the Latest Practicable Date



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## DEFINITIONS

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“Resumption”	the resumption of trading in the Shares on the Main Board of the Stock Exchange
“Resumption Guidance”	the resumption guidance imposed by the Stock Exchange by way of letter dated 6 June 2022
“Sanction Order”	the approval or sanction on the Scheme by the High 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 Leung Fredric Hin Hang and So Kit Yee Anita, both of 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

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## DEFINITIONS

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“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”	the meeting of the Scheme Creditors convened at the direction of the High Court for the purpose of considering and, if thought fit, approving the Scheme by the Scheme Creditors, and any adjournment thereof
“Secured Claim(s)”	claim(s) which is secured by any security interest
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 1 March 2024 at 10:30 a.m. for the purpose of considering and, if thought fit, approving, among others, (i) the Capital Reorganisation, (ii) the Subscription, (iii) the Scheme, (iv) the Whitewash Waiver, (v) the Special Deal and the respective transactions contemplated thereunder
“Share(s)”	Existing Share(s) and/or New Share(s), as the case may be
“Shareholder(s)”	holder(s) of the issued Share(s)

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## DEFINITIONS

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“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 Shares 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 settlement of indebtedness due 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

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## DEFINITIONS

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“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.

\* The English transliteration of the Chinese names of these companies are for reference purposes only.

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## EXPECTED TIMETABLE

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*The expected timetable for implementation of the Capital Reorganisation, the Subscription and the Scheme is set out below:*

<b>Event</b>	<b>Time and Date, 2024</b>
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM . . . . .	4:30 p.m., Monday, 26 February
Closure of register of members to determine the eligibility for the SGM . . . . .	Tuesday, 27 February to Friday, 1 March (both days inclusive)
Latest time for return of proxy forms for the SGM . . . . .	10:30 a.m., Wednesday, 28 February
Record date for determining Shareholders' eligibility to attend and vote at the SGM . . . . .	Friday, 1 March
Date and time of the SGM . . . . .	10:30 a.m., Friday, 1 March
Publication of announcement on results of the SGM . . . . .	Friday, 1 March

*The following events are conditional on (i) the results of the SGM and the relevant court hearing; and (ii) the fulfilment of the conditions for the implementation of the Capital Reorganisation, the Subscription and the Scheme.*

<b>Event</b>	<b>Time and Date, 2024</b>
High Court's hearing on the petition to sanction the Scheme . . . . .	Thursday, 7 March
Effective date of the Capital Reorganisation <sup>(Note)</sup> . . . . .	A date to be fixed after the fulfillment (or waiver, as applicable) of the conditions precedent, which is tentatively expected to be in late March

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## EXPECTED TIMETABLE

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The Scheme becomes effective . . . . . A date to be fixed after the fulfillment  
(or waiver, as applicable) of the conditions  
precedent, which is tentatively expected  
to be in late March

Completion of the Subscription and issuance  
of Subscription Shares and despatch of  
certificates for the Subscription Shares to  
the Subscriber . . . . . A date to be fixed after the fulfillment  
(or waiver, as applicable) of the conditions precedent,  
which is tentatively expected to be in late March or early April

Fulfilment of all the Resumption Guidance  
and publication of announcement relating  
to the Resumption . . . . . After the Completion

Resumption and dealings in the New Shares  
(including the Subscription Shares and  
Creditors' Shares) commences . . . . . After the Completion

*All times and dates specified in the timetable above refer to Hong Kong times and dates unless otherwise specified.*

*The timetable is tentative only. Given that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules, on 28 December 2023, the Company has submitted an application requesting the Delisting Decision be referred to the Listing Review Committee of the Stock Exchange for review. The hearing of the review has been fixed on 22 March 2024. The Directors would like to remind the Shareholders and potential investors of the Company that the outcome of such review is uncertain.*

*Any subsequent change to the expected timetable will be announced by the Company as and when appropriate.*

*Note: Further announcement(s) will be made by the Company to inform the Shareholders of the timetable of the trading arrangement in respect of the New Shares as and when appropriate.*



Silk Road Logistics Holdings Limited  
絲路物流控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 988)**

*Executive Directors:*

Mr. Cheung Ngai Lam

Mr. Chung Wai Man

Mr. Lam Tin Faat

*Non-executive Director:*

Mr. Ouyang Nong

*Independent non-executive Directors:*

Ms. Ang Mei Lee Mary

Mr. Wu Zhao

Mr. Chu Kin Wang Peleus

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place  
of business in Hong Kong:*

Room 1702, 17/F.

COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

8 February 2024

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;  
(2) SUBSCRIPTION OF NEW SHARES;  
(3) SCHEME OF ARRANGEMENT;  
(4) APPLICATION FOR WHITWASH WAIVER; AND  
(5) SPECIAL DEAL**

**INTRODUCTION**

References are made to the announcements of the Company dated (1) 24 May 2022 in respect of (i) the Listing Review Committee's decision to uphold the decision of the Listing Committee to suspend the trading in the Company's shares and (ii) the suspension of trading in the shares of the Company with effect from 24 May 2022; (2) 7 June 2022 in relation to, among other things, the Resumption Guidance; (3) 1 June 2023 in respect of the

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## LETTER FROM THE BOARD

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appointment of restructuring adviser; (4) 23 August 2022, 23 November 2022, 23 February 2023, 23 May 2023, 23 August 2023 and 28 November 2023 regarding the quarterly updates on the progress of resumption; (5) 21 August 2023, 1 November 2023 and 13 December 2023 in respect of the winding-up petition against the Company; (6) 18 December 2023 in respect of the Delisting Decision; (7) 7 November 2023 and 28 December 2023 regarding (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Scheme; (iv) the Whitewash Waiver; and (v) the Special Deal; and (8) 25 January 2024 regarding the results of the Scheme Meeting.

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 purpose of this circular is to provide you with, among other things, details of (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Scheme; (iv) the Whitewash Waiver; (v) the Special Deal; (vi) a letter from the Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the Independent Financial Adviser to the Independent Shareholders; and (viii) a notice convening the SGM.

### **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 (i) the paid-up capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share and (ii) any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation in order to round down the total number of the Consolidated Shares to a whole number. The credit arising from the Capital Reduction of approximately HK\$63,537,223 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.



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## LETTER FROM THE BOARD

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- (c) Share Sub-division: immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares 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 special resolution 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 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. As at the Latest Practicable Date, none of the above conditions has been fulfilled. The Capital Reorganisation shall become effective with effect from the second Business Day immediately following the date on which the conditions mentioned above are fulfilled, further announcement will be made upon the Capital Reorganisation becoming effective.

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## LETTER FROM THE BOARD

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### Effects of the Capital Reorganisation

As at the Latest Practicable Date, 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 Latest Practicable Date until the effective date of the Capital Reorganisation).

Based on the 641,790,129 Existing Shares in issue as at the Latest Practicable Date, an amount of credit of approximately HK\$63,537,223 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\$2,335,581,223 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 31 December 2022, the accumulated losses of the Company are approximately HK\$3,061,270,000. 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\$725,688,777.

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## LETTER FROM THE BOARD

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The following table sets out the effect of the Capital Reorganisation on the share capital of the Company (i) as at the Latest Practicable Date 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 Latest Practicable Date until the effective date of the Capital Reorganisation:

	<b>(i) As at the Latest Practicable Date</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 Capital Reorganisation, 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.

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## LETTER FROM THE BOARD

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### **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 is 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.

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## LETTER FROM THE BOARD

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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.

### **Free Exchange of Certificates for New Shares**

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit their existing share certificates for the Existing Shares (in the colour of blue) to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, during business hours to exchange for new share certificates for the New Shares (in the colour of green) at the expense of the Company.

Thereafter, share certificates for the Existing Shares will be accepted for exchange only upon payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever the number of share certificates cancelled or issued is higher. The Company will notify the Shareholders of the timetable of the Capital Reorganisation and the arrangements of the free exchange of the certificates for New Shares by way of announcement(s) as and when appropriate.

Subject to and upon the Capital Reorganisation becoming effective, trading will only be in the New Shares. Share certificates for the Existing Shares will continue to remain good evidence of legal title and may be exchanged for share certificates for the New Shares at any time but will not be accepted for delivery, trading, settlement and registration purposes.

### **Odd lot trading arrangement**

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint an agent to provide a matching service, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. The Company will notify the Shareholders of the details of the odd lot trading arrangement by way of announcement(s) as and when appropriate.

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date. As at the Latest Practicable Date, each of the Subscriber and Ms. Choi directly held 51,869,770 and 76,380 Existing Shares, representing approximately 8.08% and 0.012% of the issued share capital of the Company respectively. Save as disclosed, each of the Subscriber and its ultimate beneficial owner is an Independent Third Party.

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## LETTER FROM THE BOARD

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Assuming there will be no other change in the number of New Shares from the Latest Practicable Date 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;

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## LETTER FROM THE BOARD

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- (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 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 having approved in principle of the Resumption;
- (g) the meetings of the Scheme Creditors having approved the Scheme;
- (h) the final sanction from the High 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.



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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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 Latest Practicable Date, save for condition (g), 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;

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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 83.26% to the theoretical average closing price per New 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 ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately HK\$6.66 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\$7.31 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 difference in the issue price of the Subscription Shares and the Creditors' Shares is due to the vastly different nature of and circumstances leading to the issue of the Subscription Shares and the Creditors' Shares. On one hand, the Subscriber's investment in the Company is new "good money" provided to the Company for corporate rescuing and future operations of the Group which the Subscriber has to bear significant risks on the success of the restructuring and the Resumption. On the other hand, the Creditors' Shares are issued to the Scheme Creditors as settlement of the existing debts due to the Scheme Creditors who had already incurred the loss. Without the proposed rescue operation and the implementation of the Scheme, the Company will likely be wound-up and liquidated and the Scheme Creditors will unlikely to recover anything material when the Company is liquidated. As such, the risks associated with the Scheme Creditors and the Subscriber are not comparable.

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## LETTER FROM THE BOARD

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The Company has considered other fund-raising alternatives, including but not limited to bank borrowing, issue of convertible bonds and other forms of equity financing such as rights issue, open offer and placing of new shares since mid- to late 2021. However, issue of convertible bonds and other forms of equity financing were no longer feasible options given the suspension of trading in the Shares in May 2022. The Company has approached some other financiers for financing since early 2022 but its efforts were to no avail given the financially distressed situation of the Group. Given the financial situation and listing status of the Company, the Subscription would be the only available funding source for the Company to turn around its financial position and is in the interests of the Company and the Shareholders as a whole.

The Directors (including the non-executive Director and the independent non-executive Directors whose views are expressed and set forth in the letter from the Independent Board Committee contained in this circular having considered the advice from the Independent Financial Adviser) are of the view that a discounted Subscription Price is inevitable in this large-scale fundraising exercise and is not uncommon among the companies involving creditors' scheme or debt restructuring, as such, 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 steps to ensure that any such transfer or disposal will not create a false market in the Shares.

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## LETTER FROM THE BOARD

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Based on the expected shareholding structure as disclosed on pages 38 to 40 of this circular, the Company will be able to meet the public float requirements under the Listing Rules with approximately 25.25% of the total number of issued Shares (as enlarged by the issue of the Subscription Shares and the Creditors' Shares) held by the public. The Board does not foresee that there is any public float issue as a result of the issue of the Subscription Shares and the Creditors' Shares. In case the public float requirements cannot be met, the Company and the Subscriber have agreed in principle that the lock-up arrangement be lifted to allow the Subscriber to place down such Shares as necessary to restore the public float.

### **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 including the right to dividend and any other distribution as may be declared thereafter.

### **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.

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## LETTER FROM THE BOARD

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In view of the financially distressed situation of the Group and the suspension of trading in the Shares, the Company has been approaching potential investors and discussions with the Subscriber started in early 2023. By mid-May 2023, the Subscriber reverted its interest to invest in the Company and the parties have commenced negotiations since then. The Subscriber showed interest in investing a sum of HK\$50 million for obtaining a controlling stake in the Company upon completion of the restructuring. After several rounds of negotiation between the Company and the Subscriber on the Subscription Price and the number of Subscription Shares to be issued, taking into account the effect of the Capital Reorganisation, the Scheme which involves potential issue of the Creditors' Shares and given the limited bargaining power of the Company, it was eventually agreed that the Subscriber will obtain 146,820,480 Subscription Shares at the issue price of approximately HK\$0.341 per Subscription Share, representing 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' Share in full.

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. Ms. Choi, being the ultimate beneficial owner of the Subscriber, wholly-owns a company incorporated in Australia with limited liability which is the owner of an iron ore mine in Australia and has experience and connections in commodities trading business. As at the Latest Practicable Date, Ms. Choi did not have any directorship in any listed companies. The Australian company wholly-owned by Ms. Choi has also entered into a mineral sales agreement (the "**Mineral Sales Agreement**") with the Company on 23 November 2023 for supply of iron ore fines produced from the iron ore mining project located on Cockatoo Island in the Kimberly Region off the north-west coast of Western Australia as disclosed in the announcement of the Company dated 28 November 2023. Under the Mineral Sales Agreement, the Company will make a prepayment to the supplier in an amount of HK\$20 million, which will be used by the supplier for the purpose of funding the development and commencement of production and for its general working capital requirements for such production to be set off against the Company's payment obligations for the iron ore fines delivered. The parties' obligations under the Mineral Sales Agreement is subject to, among others, the Resumption. In addition, 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.

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## LETTER FROM THE BOARD

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Since the suspension of trading of the Shares on 24 May 2022, the Directors have spent strenuous effort in fulfilling the Resumption Guidance. The Group has continued to take active steps to address and comply with the Resumption Guidance, 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 (including the non-executive Director and the independent non-executive Directors whose views are expressed and set forth in the letter from the Independent Board Committee contained in this circular having considered 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; (ii) approximately HK\$20 million for prepayment for the supply of iron ores under the Mineral Sales Agreement; (iii) approximately HK\$8 million for the settlement of the restructuring expenses; and (iv) the remaining balance for the general working capital of the Group. The net issue price per Subscription Share is approximately HK\$0.33.

### 3. SCHEME OF ARRANGEMENT

The Company proposes to implement, subject to the approval by the High 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 the adjudication;

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## LETTER FROM THE BOARD

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- (iii) the Company will transfer the entire issued shares in City Joint, which in turn holds the Company's 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 30 November 2023, the total estimated indebtedness owed by the Company to the Scheme Creditors amounts to approximately HK\$692.4 million. 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.

Pursuant to the Scheme, the Claims of the Scheme Creditors against the Company will be discharged in full in return for a pro rata share of the Scheme Consideration (comprising the Scheme Fund, the Creditors' Shares, and the Realisation Proceeds) which will be made available for the benefit of the Scheme Creditors. Assuming the Realisation Proceeds is zero for the sake of prudence and after taking into account the Scheme Fund which will be distributed to the Scheme Creditors on a pro rata basis, the Company will allot and issue up to a maximum of 82,055,358 Creditors' Shares where the Scheme Creditors will receive 1 Creditors' Share for every HK\$8.33 in the amount of the Admitted Claims due to them by the Company for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme.



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## LETTER FROM THE BOARD

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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, was heard on 28 November 2023 and by an order made on 28 November 2023, the High Court has directed, among other things, that: (a) the Company may convene the Scheme Meeting for the purpose of considering and, if thought fit, approving (with or without modification or condition approved and imposed by the High Court) the Scheme; and (b) the hearing at which the High Court will determine the Company's application to sanction the Scheme shall be heard on 7 March 2024. The Scheme Meeting was held on 25 January 2024 and the Scheme was approved by the requisite statutory majorities of the Scheme Creditors of not less than 75% in value of the Scheme Creditors and 50% in number of the Scheme Creditors. The Scheme Creditors have also approved the formation of a committee of the Scheme Creditors, conditional upon the Scheme becoming effective, with whom the Scheme Administrators will consult before deciding how to dispose of assets of the Company.

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

As at the Latest Practicable Date:

- (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.



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## LETTER FROM THE BOARD

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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.

### **Disposal of Excluded Subsidiaries under the Scheme**

The performance of the businesses held under the Excluded Subsidiaries, namely the USA oil business, the Dongguan business, and the Inner Mongolia investment, has been disappointing. Firstly, the USA oil business has required significant financial resources for maintenance to preserve its value and operational status which is no longer justifiable given its unsatisfactory performance. Secondly, the Dongguan business operates a leased land located in Dongguan and structured with a pier, which is now under a long-term sub-lease to an Independent Third Party. The Dongguan business has potential for expanding sand-washing business subject to further capital injection which is not a core business of the Group, hence it is considered beneficial to dispose of the operations in Dongguan for the benefit of the Scheme Creditors. Lastly, regarding the Inner Mongolia investment, the Company's role is limited to holding associate shares. Given the scale of the required investment for further development of its infrastructure project and the uncertain return prospects, it is deemed unfeasible to allocate more resources to this investment.

In conclusion, the Excluded Subsidiaries have their own value which is contingent on additional capital input and investment to be made, however, given the excessive financial demands and the disappointing performance of these assets, it is not considered practical or beneficial for the Group to continue investing time and resources into their recovery. Moreover, these business activities diverge from the Group's core areas, namely (i) Commodities Beneficiation and Trading Business, and (ii) Logistics and Warehousing Services, resulting in a lack of cohesive operational strategy and efficient resource allocation. Therefore, this strategic decision aligns with the Company's broader goal of improving asset management and focusing on more profitable and complementary business areas, specifically those offering higher synergy and growth potential. As such, the Excluded Subsidiaries will be disposed of and transferred to the Scheme Company B for the Scheme Creditors' benefit. The Board considers that having taken into account the amount of indebtedness and the total value of the issue of Creditors' Shares, the disposal of the Excluded Subsidiaries and the Scheme Consideration, the disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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As soon as reasonably practicable after date when the Scheme has become unconditional, but not later than 14 Business Days thereafter (or some other date as may be agreed in writing between the Company and the Scheme Administrators), the Company will transfer the entire issued shares in City Joint to Scheme Company B at a nominal consideration after which City Joint will be held by Scheme Company B and the Excluded Subsidiaries will be held indirectly by Scheme Company B. Upon the transfer of the Excluded Subsidiaries to the Scheme Company B, the best course of action (including the timing) to realise or dispose of the equity interests and/or assets of the Excluded Subsidiaries will be assessed and determined. The agreement to transfer the Excluded Subsidiaries from the Company to the Scheme Company B will only be effected after the Company has published its financial results for the year ended 31 December 2023. After the Scheme is sanctioned by the High Court, which will then become binding on the Company and the Scheme Creditors, the Company will ensure that all conditions precedent of the Scheme are fulfilled before the Scheme takes effect. Based on the latest financial information currently available to the Company (which is not yet finalised and reviewed by the Company's auditors and the audit committee of the Company), the disposal of the Excluded Subsidiaries to the Scheme Company B is expected to constitute a discloseable transaction subject to reporting and announcement requirements under Chapter 14 of the Listing Rules only.

As at the Latest Practicable Date, the Scheme Company B has yet to be set up and no agreement has been entered into with the Scheme Company B for the disposal of the Excluded Subsidiaries. The Company will determine the classification of the disposal again at the material time when such agreement is executed between the Company and the Scheme Company B with reference to the then latest published financial results of the Group, and comply with the requirements under Chapter 14 of the Listing Rules including making further announcement(s) and (if required) obtaining further Shareholders' approval for the disposal to the Scheme Company B. In the unlikely event that the disposal of the Excluded Subsidiaries to the Scheme Company B would constitute a major transaction under Chapter 14 of the Listing Rules, the Company will comply with the requirements under Chapter 14 of the Listing Rules (including seeking further shareholders' approval), and the Scheme shall only take effect unless and until all conditions precedent thereto (including all necessary shareholders' approvals) are fulfilled. If the shareholders' approval is not obtained, the Capital Reorganisation, the Subscription and the Scheme will not complete and will lapse. Nevertheless, based on the latest financial information on the preliminary unaudited financial results for the Company for the year ended 31 December 2023 available to the Company, the disposal is expected to constitute a discloseable transaction under the Listing Rules.

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## LETTER FROM THE BOARD

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Details of the Excluded Subsidiaries are as follows:

Company name	Place of incorporation	Nature	Principal business	Unaudited book value of net assets/(liabilities) as at 30 June 2023 (HK\$) <sup>1</sup>
City Joint Investments Limited	British Virgin Islands	Holding company	Investment holding	6,555
Fortune Smart Investment Limited	Hong Kong	Non-operating company	Inactive	0
Joy Nice Enterprises Limited	British Virgin Islands	Holding company	Investment holding	0
Metro Winner Trading Limited	Hong Kong	Non-operating company	Inactive	(686,214)
Sound Million International Investment Limited	British Virgin Islands	Holding company	Investment holding	0
Win Sound Limited	Hong Kong	Holding company	Investment holding	0
深圳市韻勝貿易有限公司 (Shenzhen Yun Sheng Trading Company Limited)	PRC	Holding company	Investment holding	989,793
東莞市海輝物流有限公司 (Dongguan City Hai Hui Logistics Company Limited)	PRC	Operating company	Land leasing	389,453
Smart Gear Investment Limited	British Virgin Islands	Holding company	Investment holding	0
Nice Wide Investment Limited	Hong Kong	Holding company	Investment holding	21,875

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**LETTER FROM THE BOARD**

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Company name	Place of incorporation	Nature	Principal business	Unaudited book value of net assets/(liabilities) as at 30 June 2023 (HK\$) <sup>1</sup>
廣智(天津)國際貿易有限公司 (Grand Wise (Tianjin) International Trading Limited)	PRC	Non-operating company	Inactive	6,253
Earning Power Inc.	British Virgin Islands	Holding company	Investment holding	5,858,642 <sup>2</sup>
Northern Lynx Exploration	USA	Holding company	Investment holding	819
M&L Leasing Services, Inc.	USA	Operating company	Oil business	35,504,565 <sup>2</sup>
Mega Oil, Inc.	USA	Operating company	Oil business	34,220,374 <sup>2</sup>
M&L Well Service, Inc.	USA	Non-operating company	Inactive	168,597
M&L Management, Inc.	USA	Non-operating company	Inactive	1,404
Wealth Delight International Holdings Limited	British Virgin Islands	Holding company	Investment holding	8
Shanghai Industrial Commodities Trading Limited	Hong Kong	Holding company	Investment holding	0
博屬(上海)貿易有限公司 (Boshu (Shanghai) Trading Limited)	PRC	Holding company	Investment holding	10,000

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**LETTER FROM THE BOARD**

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Company name	Place of incorporation	Nature	Principal business	Unaudited book value of net assets/(liabilities) as at 30 June 2023 (HK\$) <sup>1</sup>
內蒙古亞歐大陸橋物流有限責任公司 (Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company)	PRC	Minority Investment company	Logistics business	(10,746)
Pride Logic Limited	British Virgin Islands	Holding company	Investment holding	0
Marvellous Ideas Co. Limited	Hong Kong	Holding company	Investment holding	0
上海繼圖軟件技術有限公司 (Shanghai Jitu Software Technology Limited)	PRC	Holding company	Investment holding	0
烏蘭察布市綜合物流園區有限公司 (Wulanchabu Integrated Logistics Park Company Limited)	PRC	Investment in Associate	Investment holding	665,363,234 <sup>3</sup>
Max Super Investment Limited	British Virgin Islands	Holding company	Investment holding	0

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## LETTER FROM THE BOARD

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- <sup>1</sup> The book value of net assets presented are based on the individual financial statement of each entity on a stand-alone basis without taking into account the impairment made at Group level over the past years, and are exclusive of any intercompany receivables/payables and investments in subsidiaries. Taking into account further impairment made and to be made at Group level for the year ended 31 December 2023, the Directors estimated that the Excluded Subsidiaries would be in net liabilities of about HK\$20 million.
- <sup>2</sup> Earning Power Inc. is the holding company of all the subsidiaries in the USA which only holds cash balances and certain interest receivables on its own. The operating subsidiaries, namely, M&L Leasing Services, Inc. and Mega Oil, Inc. are principally engaged in exploration and trading of oil. The main assets of M&L Leasing Services, Inc. and Mega Oil, Inc. are oil properties recorded at a book value of HK\$37,614,681 and HK\$43,523,487 respectively as at 31 December 2022. They relate to unextracted oil reserves located in certain USA oil fields in which M&L Leasing Services, Inc. and Mega Oil, Inc. hold production and exploration rights to. Based on a previous valuation conducted by an independent valuer on the oil properties in the USA as of 31 December 2022, there were 75 active water/oil wells located in the USA, the gross and net proved and probable oil reserves amount to 1,332 MSTB (which represents thousand of stock tank barrels of oil) and 1,087 MSTB respectively and the value of the oil properties as of 31 December 2022 was HK\$75,418,000. Taking into account the low profitability of the current oil operations and the ongoing maintenance costs for the oil wells which include the substantial costs involved in complying with the local regulations which require idle wells either be reactivated for use or be plugged, the Company considered the disposal of the interests in the USA oil business will be more beneficial for the Company and in line with the Company's future business plan and strategy.
- <sup>3</sup> The net asset value of Wulanchabu Integrated Logistics Park Company Limited ("Wulanchabu"), which is related to a logistics infrastructure project in Wulanchabu, Inner Mongolia, China, is reported on a consolidated basis with its 4 operating subsidiaries: (1) Wulanchabu Integrated Logistics Park Manfu Coal Trading Company Limited; (2) Wulanchabu Integrated Logistics Park Manfu Freight Operator Company Limited; (3) Wulanchabu Integrated Logistics Park Manfu Freight Yard Operator Company Limited; and (4) Inner Mongolia Jinrun Investment Limited. The main asset of this investment in associate is a construction in progress account recorded at HK\$612,802,165 as at 30 June 2023. To the best knowledge of the Company which has no control on the business of Wulanchabu, the operation of the logistic business of Wulanchabu has been delayed due to lack of funding, and additional investments are required for commencement of its operations of logistics business. The asset of Wulanchabu is classified as construction in progress from accounting perspective as it is not available for use given the project is not operational. The Directors are given to understand that the project can only become operational after Wulanchabu injects further funds to complete the transfer of title registration but the amount involved is unknown to the Company.

At present, it is not feasible to provide a reliable estimate of the proceeds to be realised from the disposal of the Excluded Subsidiaries due to the influence of various unpredictable factors, for example, the actions to be taken with the Excluded Subsidiaries (as will be determined by the Scheme Administrators) and the then market conditions.

### **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.

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## LETTER FROM THE BOARD

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### 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 High Court sanctions the Scheme and an official copy of the order of the High 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 Creditors' 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 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 Latest Practicable Date, save for condition (a), 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.

## LETTER FROM THE BOARD

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date		(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



## LETTER FROM THE BOARD

	(i) As at the Latest Practicable Date		(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</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Existing Shares</i>	<i>Approximate %</i>	<i>New Shares</i>	<i>Approximate %</i>	<i>New Shares</i>	<i>Approximate %</i>	<i>New Shares</i>	<i>Approximate %</i>
Other Scheme Creditors (not being Shareholders as at the Latest Practicable Date)	-	-	-	-	-	-	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:*

- 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.
- 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.
- 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).

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## LETTER FROM THE BOARD

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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 30 November 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. Assuming there will be no other change in the number of New Shares from the Latest Practicable Date until the date of Completion, 73,991,264 New Shares, representing approximately 25.25% of the total number of issued Shares as enlarged by the issue of the Subscription Shares and the Creditors' Shares, will be held by the public (as defined in the Listing Rules). As such, the Company will continue to comply with the public float requirement under Rule 8.08(1)(a) of the Listing Rules. The Resumption is subject to restoration of public float in the event that the Company fails to meet the public float requirement after Completion.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP

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.

On 7 November 2023, the Company submitted a resumption plan (the "**Resumption Plan**") to the Stock Exchange to explain how the Company can comply with the Resumption Guidance. It explains, among others, the Company's plan to restructure its indebtedness and to reinforce the viability and ongoing business potential of the Group by way of the proposed restructuring which includes, among others, the Capital Reorganisation, the Subscription and the Scheme.

On 21 November 2023, the Company received a letter from the Stock Exchange setting out their preliminary observations on the Resumption Plan, including (i) the scale of the Group's operation remains small and the Company has failed to demonstrate that its assets and operations were or would be in compliance with Rule 13.24 of the Listing Rules, and as such would not be entitled to a time extension of the remedial period unless the Company can demonstrate otherwise.

To address the points raised in the letter from the Stock Exchange dated 21 November 2023, on 23 November 2023, the Company made a supplemental submission to the Resumption Plan to the Stock Exchange and substantiated the viability and sustainability of the core business segment of the Group, its sufficient level of operations with tangible assets of sufficient value and intangible assets that are in compliance with Rule 13.24 of the Listing Rules which warrants the continued listing of the Shares on the Stock Exchange.

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## LETTER FROM THE BOARD

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On 11 December 2023, the Company received a letter from the Listing Division stating their view that the Company has failed to fulfil all the Resumption Guidance by the resumption deadline of 23 November 2023 and to the date thereof, and that they intended to present the Company's case at the Listing Committee's meeting on 14 December 2023 and recommend the Listing Committee to cancel the listing of the Company under Rule 6.01A. On 15 December 2023, the Company received a letter from the Stock Exchange stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules. On 28 December 2023, the Company has submitted an application requesting the Delisting Decision be referred to the Listing Review Committee of the Stock Exchange for review. The hearing of the review has been fixed on 22 March 2024. The Directors would like to remind the Shareholders and potential investors of the Company that the outcome of such review is uncertain.

Financial and general information in relation to the Group are set out in Appendices I and II to this circular.

### **INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP**

As at the Latest Practicable Date, the Subscriber intended to continue the existing business and the continued employment of the employees of the Group and did not intend to introduce any major changes to the existing operation and business of the Company or redeployment of any of the fixed assets of the Group other than in the ordinary course of business. The Subscriber intends to nominate new Director(s) to the Board with effect from the time permitted under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Subscriber had not decided on the candidate(s) to be nominated. Further announcement(s) will be made by the Company regarding changes in the Board composition as and when appropriate. To the best knowledge of the Directors having made all reasonable enquiries, the current Directors or senior management of the Company have no intention to resign after the Completion and the Subscriber does not request for any such resignation.

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## LETTER FROM THE BOARD

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### 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 (including 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 Latest Practicable Date, the Subscriber and parties acting in concert with it (including its ultimate beneficial owner, Ms. Choi) were 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 152,182,134 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.

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## LETTER FROM THE BOARD

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Under Rule 26.1 of the Takeovers Code, the acquisition of voting rights in the Company by the Subscriber as a result of the Subscription such that the Subscriber and its concert parties together will hold 30% or more of the voting rights in the Company 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 has been submitted by the Subscriber 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 accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Subscription. Mr. Meng Fanpeng, being the chief executive officer of the Company who is interested in 48,000 Existing Shares, was involved in arranging negotiation of the Subscription Agreement. Accordingly, (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 (including Mr. Meng Fanpeng) will abstain from voting on the relevant resolution(s).

Upon completion of the Subscription, the maximum potential holding by the Subscriber and its concert parties will exceed 50% of the then total number of issued Shares in which case, the Subscriber and its concert parties may increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

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## LETTER FROM THE BOARD

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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**

*Settlement of indebtedness due to certain Scheme Creditors who are Shareholders under the Scheme*

As at the Latest Practicable Date:

- (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.

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## LETTER FROM THE BOARD

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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 and repayable on the date falling 24 months after the date on which the facility becomes unconditional, for the purpose of financing the general working capital requirements of the Group. The Company intends to finance repayment of the loan facility through various ways including refinancing, issue of bonds, other forms of equity financing and its internal resources, depending on the then financial situation of the Company. As at the Latest Practicable Date, 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 settlement of the indebtedness due 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 Special Deal is 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 (including Mr. Meng Fanpeng) will be required to abstain from voting on the relevant resolution approving the Special Deal. The Company has applied to the Executive for consent to the Special Deal under Rule 25 of the Takeovers Code.



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## LETTER FROM THE BOARD

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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.

As at the Latest Practicable Date, 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). 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 Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in this circular, the Company has no current intention or plan to undertake any fundraising plans or any other corporate actions in the next twelve months which may negate the effect of the Capital Reorganisation.

### **INDEPENDENT BOARD COMMITTEE AND THE 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 and Mr. Chu Kin Wang Peleus, 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 and the Special Deal.

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## LETTER FROM THE BOARD

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Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in accordance with the requirements under the Listing Rules and the Takeovers Code in respect of the Subscription, the Whitewash Waiver and the Special Deal and whether the terms thereof are fair and reasonable and how to vote at the SGM.

### 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 Scheme; (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 (including Mr. Meng Fanpeng) 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.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

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## LETTER FROM THE BOARD

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A notice convening the SGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 1 March 2024 at 10:30 a.m is set out on pages SGM-1 to SGM-8 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than Wednesday, 28 February 2024 at 10:30 a.m. (Hong Kong time). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment or postponement thereof should you so desire and in such event, the form of proxy shall be deemed to be revoked.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining Shareholders' entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 27 February 2024 to Friday, 1 March 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the SGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 February 2024.

### **RECOMMENDATION**

The Directors (including the non-executive Director and the independent non-executive Directors, whose opinion is set forth in the Letter from the Independent Board Committee in this circular) consider that the terms of (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Scheme; (iv) the Whitewash Waiver; (v) the Special Deal and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### CONTINUED SUSPENSION OF TRADING IN THE SHARES

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.

**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 circular does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on (i) the Resumption given that the Resumption is subject to the fulfilment of the resumption guidance and (ii) the grant of the listing approval of the New Shares, the Subscription Shares or the Creditors' Shares. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.

### FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 51 and 52 of this circular, respectively, which contains its recommendation to the Independent Shareholders as to voting at the SGM and the letter from the Independent Financial Adviser set out on pages 53 to 101 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the terms of the Subscription, the Whitewash Waiver and the Special Deal.

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

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



Silk Road Logistics Holdings Limited  
絲路物流控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 988)**

8 February 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) SUBSCRIPTION OF NEW SHARES;  
(2) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(3) SPECIAL DEAL**

We refer to the circular of the Company dated 8 February 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether the terms of the Subscription, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder are fair and reasonable and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Altus Capital has been appointed as the Independent Financial Adviser to advise you and us in this respect.

We wish to draw your attention to (i) the letter of advice from Altus Capital as set out on pages 53 to 101 of the Circular; and (ii) the letter from the Board as set out on pages 13 to 50 of the Circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Subscription, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription, the Whitewash Waiver, the Special Deal and the respective transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee of  
**Silk Road Logistics Holdings Limited**

**Mr. Ouyang Nong**

*Non-executive  
Director*

**Ms. Ang Mei Lee**

**Mary**  
*Independent  
non-executive  
Director*

**Mr. Wu Zhao**

*Independent  
non-executive  
Director*

**Mr. Chu Kin Wang**

**Peleus**  
*Independent  
non-executive  
Director*

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in relation to (i) the Subscription; (ii) the Whitewash Waiver and (iii) the Special Deal and the respective transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong

8 February 2024

To the Independent Board Committee and the Independent Shareholders

**Silk Road Logistics Holdings Limited**

Room 1702, 17/F  
COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

Dear Sir or Madam,

**(1) SUBSCRIPTION OF NEW SHARES;  
(2) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(3) SPECIAL DEAL**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription; (ii) the Whitewash Waiver, and (iii) the Special Deal and the respective transactions contemplated thereunder. Details of the (i) the Subscription; (ii) the Whitewash Waiver, and (iii) the Special Deal and the respective transactions contemplated thereunder are set out in the “Letter from the Board” contained in the circular of the Company dated 8 February 2024 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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## LETTER FROM ALTUS CAPITAL

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To facilitate the Resumption, the Company announced on 7 November 2023 to implement the restructuring plan, which comprise of, the Capital Reorganisation, the Subscription and the Scheme (the “**Restructuring Plan**”).

### IMPLICATIONS UNDER THE LISTING RULES

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. Accordingly, the above factors could be considered as exceptional circumstances under Rule 7.27B of the Listing Rules.

### IMPLICATIONS UNDER THE TAKEOVERS CODE

#### Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it (including its ultimate beneficial owner, Ms. Choi) were 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 Creditors’ Shares in full, the Subscriber and parties acting in concert with it will be interested in 152,182,134 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.



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## LETTER FROM ALTUS CAPITAL

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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 has been submitted by the Subscriber 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 accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Subscription. Mr. Meng Fangpeng, being the chief executive officer of the Company who is interested in 48,000 Existing Shares, was involved in arranging negotiation of the Subscription Agreement. Accordingly, (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 (including Mr. Meng Fangpeng) 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**

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 settlement of the indebtedness due 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.

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## LETTER FROM ALTUS CAPITAL

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As such, the Special Deal requires (a) consent by the Executive; (b) the Independent Financial Adviser to publicly state in its opinion whether the Special Deal is 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 has applied 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.

### **THE INDEPENDENT BOARD COMMITTEE**

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 and Mr. Chu Kin Wang, Peleus, has been established in compliance with Rule 2.8 of the Takeovers Code, and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription, are fair and reasonable; and in the interests of the Company and the Shareholders as a whole; (ii) whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole; (iii) whether the Special Deal is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM to approve (a) the Subscription, (b) the Whitewash Waiver and (c) the Special Deal, and the respective transactions contemplated thereunder, taking into account the recommendation of the Independent Financial Adviser.

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## LETTER FROM ALTUS CAPITAL

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### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Subscription, are fair and reasonable; and in the interests of the Company and the Shareholders as a whole; (ii) whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole; (iii) whether the Special Deal is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM to approve (a) the Subscription, (b) the Whitewash Waiver and (c) the Special Deal, and the respective transactions contemplated thereunder.

We (i) are not associated or connected, financial or otherwise, with the Company, or the Subscriber and its concert parties (including Ms. Choi), or 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), or any parties presumed to be acting, in concert with any of them; and (ii) have not acted as financial adviser or independent financial adviser in relation to any transactions of the Company or the Subscriber and its concert parties (including Ms. Choi), or 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), or any parties presumed to be acting, in concert with any of them in the last two years prior to the date of the Circular.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on (a) the Subscription; (b) the Whitewash Waiver and (c) the Special Deal, and the respective transactions contemplated thereunder is at market level and not conditional upon the outcome of (a) the Subscription; (b) the Whitewash Waiver and (c) the Special Deal, and the respective transactions contemplated thereunder; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Subscriber and its concert parties (including Ms. Choi), or the Scheme Creditors who are

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## LETTER FROM ALTUS CAPITAL

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also Shareholders, their respective associates and parties acting in concert with any of them (including Ms. Yuan Jing, Xinya Global Limited and Huarong Investment), or any parties presumed to be acting, in concert with any of them; and (iii) our engagement is on normal commercial terms and is approved by the Independent Board Committee, we are independent of the Company or the Subscriber and its concert parties (including Ms. Choi), or 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), or any parties presumed to be acting, in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of (a) the Subscription (including the issuance of the Subscription Shares under the Specific Mandate), (b) the Whitewash Waiver and (c) the Special Deal, and the respective transactions contemplated thereunder.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others (i) the annual reports of the Company for the years ended 31 December 2021 and 2022 (respectively, the “**2021 Annual Report**” and the “**2022 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (iii) the Subscription Agreement; and (iv) other information set out in the Circular.

We have relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete in all material aspects at the time they were made and continued to be so as at the date of the SGM. The Company and the Directors will notify the Shareholders of any material changes to information contained or referred to in the Circular as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

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## LETTER FROM ALTUS CAPITAL

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We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

#### 1. Background information of the Group and various development updates

##### 1.1 *Principal business*

The Company is principally engaged in (i) the Commodities Beneficiation and Trading Business; (ii) the Logistics Business; and (iii) Oil Business.

##### 1.1.1 *The Commodities Beneficiation and Trading Business*

The Group focuses on iron ore as the primary commodity of this business where the Group is involved in (i) the process of beneficiating and upgrading low-grade iron ore material to high-grade iron ore fines; and (ii) the sale of high-grade fines.

On 23 November 2023, the Company entered into a mineral sales agreement ("**Mineral Sales Agreement**") with a company incorporated in Australia with limited liability which is the owner of mining, exploration, prospecting and other related rights to tenements on Cockatoo Island, Irvine Island and Bathurst Island in West Australia. The collaboration under this mineral sales agreement is expected to secure the Group's iron ore pipeline. Further details can be found in the Company's announcement dated 28 November 2023.

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## LETTER FROM ALTUS CAPITAL

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### *1.1.2 The Logistics Business*

The Logistics Business is mainly carried out by the subsidiary, namely Qian'an Logistics, which was established as a regional logistics center for commodities in September 2012. Qian'an Logistics has four warehouses and one open storage area designed for the provision of warehouse storage for commodities and heavy metallic materials and associated handling services rendered in the process of loading, unloading and stacking. Due to the (i) expiry of the management agreement between Tewoo Import & Export Trading Co., Ltd. ("**Tewoo**") and the Company; (ii) corporate restructuring of Tewoo which constrained the renewal of this management agreement; and (iii) negative impact of COVID-19 pandemic, the level of operations of the Logistics Business has been adversely affected.

We note that the Company's business in Dongguan is held by the Excluded Subsidiaries which will be disposed of where the Realisation Proceeds will be distributed to the Scheme Creditors under the Scheme. Details are described in the section headed "Scheme of Arrangement" in the "Letter from the Board" of the Circular.

### *1.1.3 Oil Business*

On 18 December 2014, the Company completed the acquisition of a group engaged in exploration and production of oil as well as provision of well services in the States of Illinois and Indiana in the USA at a consideration of HK\$295,000,000. However, revenue contributed by the Oil Business has been relatively small over the years and this business has recorded consecutive losses.

Upon the Scheme becoming effective, the Oil Business will be transferred out of the Group to the Excluded Subsidiaries which will be disposed of where the Realisation Proceeds will be distributed to the Scheme Creditors (as part of the Scheme Consideration). Details are described in the section headed "Scheme of Arrangement" in the "Letter from the Board" of the Circular.

From the above, we noted that upon the Scheme becoming effective, the principal activities of the Group will remain as the Commodities Beneficiation and Trading Business, as well as the Logistics Business that is carried out by Qian'an Logistics.

### 1.2 *Winding-up petition*

On 18 August 2023, the Company received a winding-up petition (the “**Petition**”) against the Company filed by Wise Perfection Limited (the “**Petitioner**”) at the High Court of the Hong Kong Special Administrative Region in relation to an indebted sum of approximately HK\$65.6 million. At the adjourned hearing for the Petition on 13 December 2023, the hearing has been further adjourned to 7 February 2024 as requested by the Petitioner.

### 1.3 *Resumption guidance*

Trading in the Shares on the Stock Exchange has been suspended since 24 May 2022. On 6 June 2022, the Company received a letter from the Stock Exchange setting out the following resumption guidance (the “**Resumption Guidance**”) for the resumption of trading in the Shares:

*To demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules*

The Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may also modify or supplement the Resumption Guidance if the Company’s situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months.

In the case of the Company, the aforesaid 18-month period had expired on 23 November 2023. Prior to the expiry, the Company had, on 7 November 2023, submitted a resumption proposal (“**Resumption Plan**”) to the Stock Exchange which set out the details in relation to the business plans of the Company, forecast and projection in relation thereto, details on the Restructuring Plan, for the Stock Exchange’s consideration.

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## LETTER FROM ALTUS CAPITAL

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Subsequent to the submission of the resumption proposal to the Stock Exchange, the Company received a letter from the Stock Exchange on 21 November 2023 setting out their preliminary observations on the Resumption Plan. On 15 December 2023, the Company received a letter from the Stock Exchange stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules. On 28 December 2023, the Company has submitted an application requesting the Delisting Decision be referred to the Listing Review Committee of the Stock Exchange for review. For further details, please refer to the description under the section headed "Information of the Group" of the "Letter from the Board" of the Circular.

### **2. Financial information of the Group**

Set out below is a summary of the financial results of the Group for the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023, as extracted from the 2021 Annual Report, 2022 Annual Report and 2023 Interim Report respectively.

As described in the abovementioned annual reports and interim report of the Company, the consolidated financial statements have been prepared on a going concern basis after taking into account of the following circumstances and measures which are in place or to be implemented; that is the Directors make every effort (i) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (ii) to negotiate with the lenders of the other borrowings and the holder of the promissory note payable for the extension of repayments of the borrowings and the promissory note to a date when the Group has adequate working capital to serve the repayments.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and noncurrent liabilities as current assets and current liabilities respectively. The effects of these potential adjustments had not been reflected in the financial statements of the Group set out in the 2021 Annual Report, 2022 Annual Report and 2023 Interim Report respectively.



## LETTER FROM ALTUS CAPITAL

In view of the going concern issues, the auditor of the Company had stated that due to the significance of the matters described in the corresponding “Basis for Disclaimer of Opinion” section of its reports in the 2021 Annual Report and 2022 Annual Report, it had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements of the Company. Accordingly, the auditor of the Company had disclaimed its audit opinion on the consolidated financial statements of the Group for each of the three years ended 31 December 2020, 2021 and 2022. As described in the section headed “6. Potential financial effects of the Subscription and the Scheme” below, it is expected that upon completion of the Restructuring Plan the Group would be able to reduce its overall indebtedness and allow it to trade on a going concern basis. Hence, we are of the view that the abovementioned opinion of the auditor of the Company may no longer be applicable after Completion.

### *Extract of consolidated statement of profit or loss and other comprehensive income*

	For the year ended			For the six months	
	31 December			ended 30 June	
	2020	2021	2022	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	34,609	13,647	7,449	3,912	2,470
– <i>Commodities trading</i>	29,129	7,324	853	599	0
– <i>Logistics</i>	3,393	4,478	4,699	2,262	1,566
– <i>Oil</i>	2,087	1,845	1,897	1,051	904
 (Loss) for the year/period	 (382,174)	 (302,679)	 (99,586)	 (38,974)	 (37,082)

### *Extract of consolidated statement of financial position*

	As at 31 December		As at 30 June	
	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total assets	751,142	525,421	362,020	335,413
Total liabilities	748,093	811,918	767,670	782,476
Net assets/(liabilities)	3,049	(286,497)	(405,650)	(447,063)
 Current assets	 164,528	 215,372	 82,891	 71,341
Current liabilities	714,131	778,040	735,156	750,934
Net current liabilities	(549,603)	(562,668)	(652,265)	(679,593)

Source: 2021 Annual Report, 2022 Annual Report and 2023 Interim Report

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## LETTER FROM ALTUS CAPITAL

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### **2.1 A brief summary of the financial performance of the Group for the past three years ended 31 December 2022 and the six months ended 30 June 2023**

*The year ended 31 December 2020 (“FY2020”) vs the year ended 31 December 2021 (“FY2021”)*

In FY2021, revenue was approximately HK\$13.6 million, representing a decrease of approximately 60.6% from approximately HK\$34.6 million in FY2020. The decrease was mainly due to the substantial decrease in the trading volume of the commodities trading business after the expiry of the management agreement made between the Group and Tewoo in June 2020 and in addition affected by the Covid-19 pandemic.

The Group recorded a net loss of approximately HK\$302.7 million in FY2021, representing an improvement of approximately 20.8% from approximately HK\$382.2 million in FY2020. Such improvement was mainly attributable to the lower amount of impairment of interest in associates (FY2021: approximately HK\$172.8 million vs FY2020: approximately HK\$274.9 million) and a share of profit of associates (FY2021: profit of approximately HK\$15.9 million vs FY2020: a loss of approximately HK\$3.7 million) recorded in FY2021, though off-set by an increase in impairment of goodwill (FY2021: approximately HK\$56.0 million vs FY2020: approximately HK\$32.8 million) and impairment of prepayments, deposits and other receivables (FY2021: approximately HK\$11.1 million vs FY2020: approximately HK\$28 million) during the same year.

The Group’s financial position deteriorated from net assets of approximately HK\$3.0 million as at 31 December 2020 to net liabilities of approximately HK\$286.5 million. Such drastic change was due to the losses arising from finance cost and impairment of goodwill and interests in associates as mentioned above. The Group’s net current liabilities remained at approximately HK\$549.6 million and HK\$562.7 million as at 31 December 2020 and 2021 respectively.

*FY2021 vs the year ended 31 December 2022 (“FY2022”)*

During FY2022, revenue was approximately HK\$7.4 million, representing a further decrease of approximately 45.4% from approximately HK\$13.6 million in FY2021. The decrease was a combination of the continued reduction in the trading volume of the commodities trading business and lesser value-added services which could have been charged from the trading business.

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## LETTER FROM ALTUS CAPITAL

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The Group recorded a net loss of approximately HK\$99.6 million in FY2022, representing an improvement of approximately 67.1% from approximately HK\$302.7 million in FY2021. Such improvement was mainly due to the absence of impairment of goodwill and impairment of interests in associates recorded in FY2021, whilst the other expense items and finance costs remained relatively stable.

The Group's financial position further deteriorated from net liabilities of approximately HK\$286.5 million as at 31 December 2021 to net liabilities of approximately HK\$405.7 million as at 31 December 2022. Such deterioration was mainly due to the loss incurred by the Group. The Group's net current liabilities similarly worsened to approximately HK\$652.3 million, as compared with approximately HK\$562.7 million as at 31 December 2021.

*The six months ended 30 June 2023 ("1H FY2023") vs the six months ended 30 June 2022 ("1H FY2022")*

During 1H FY2023, revenue was approximately HK\$2.5 million, representing a decrease of approximately 36.9% from approximately HK\$3.9 million recorded for the six months ended 30 June 2022. The decrease was due to the reduction in revenue generated from all businesses, as a result of the uncertainties surrounding the debt restructuring of the Group, which had hampered the operations of the Group.

The Group recorded a net loss of approximately HK\$37.1 million in 1H FY2023, a slight improvement from the net loss of approximately HK\$39.0 million recorded in 1H FY2022. This was mainly due to lower administrative expenses which decreased from HK\$16.7 million in 1H FY2022 to HK\$11.7 million in 1H FY2023.

As a result of the continued losses incurred by the Group, its financial position further deteriorated from net liabilities of approximately HK\$405.7 million as at 31 December 2022 to net liabilities of approximately HK\$447.1 million as at 30 June 2023. Net current liabilities as at 30 June 2023 similarly worsened to approximately HK\$679.6 million, as compared with approximately HK\$652.3 million as at 31 December 2022.

## 2.2 *Outlook*

In light of the mineral sales agreement as described in the section headed “1.1.1 The Commodities Beneficiation and Trading Business” above, the availability of funding following completion of the Subscription as well as the facility provided by the Subscriber, and the debt restructuring of the Company through the Restructuring Plan, the Directors are of the view that the financial performance of the Group will be significantly improved, which will underpin the development of the Group.

We understand from the Directors that the aforesaid actions will also facilitate the Resumption.

In relation to the going concern issue, the Directors are of the view that (i) following completion of the Subscription as well as the facility provided by the Subscriber, and the debt restructuring of the Company through the Restructuring Plan; and (ii) the application of the new business model which will enable a long term organic growth of the Company, this will facilitate the Company to continue as a going concern and to meet its financial liabilities as and when they fall due in the foreseeable future.

According to the Management, the Group has signed (i) two framework agreements, which the customers have undertaken to procure an aggregate of up to 1,500,000 tonnes high-grade iron ore fines (62% Fe) from the Group with an effective period of up to 24 months from the date of the agreements; and (ii) two Memorandum of Understandings with customers, including one of the major players in the steelmaking industry in the PRC with annual steelmaking capacity of approximately 10 million tonnes, and undertook to purchase unlimited amount of high-grade iron ore fines (62% Fe) from the Group. Up to the Latest Practicable Date, the Group has not commenced the supply of high-grade iron ore fines (62% Fe) to any of the abovementioned entities. Although no revenue from the Commodities Trading segment was recorded in the six months ended 30 June 2023, the Group has resumed its commodities trading business since then. Apart from the 430,000 tonnes of iron ore to be supplied to the Group under the Mineral Sales Agreement describe below, the Group has been able to and will continue to source sufficient iron ore fines to satisfy the abovementioned customers’ demand.

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## LETTER FROM ALTUS CAPITAL

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As described in the announcement of the Company dated 28 November 2023, pursuant to the terms of the Mineral Sales Agreement (as mentioned in the paragraph headed “1.1.1 The Commodities Beneficiation and Trading Business” above), the Company would be supplied with iron ore fines produced from the iron ore mining project of the supplier located on Cockatoo Island in the Kimberley Region off the north-west coast of Western Australia in 430,000 tonnes in aggregate, to be delivered in 10 monthly shipments at 3% discount below the prevailing spot price. As at the Latest Practicable Date, no shipment has been made. According to the Management, the first shipment is expected to be made around the end of the third quarter of 2024.

As described in Appendix I of the circular, as at the Latest Practicable Date, the Group entered into five framework agreements with the processing plants in five cities, including Rizhao, Maanshan, Qianan, Wuhu and Jinan, and two out of the five companies, which entered the framework agreements with the Group, had each entered actual confirmed orders with the Group. In addition, in January 2024, the Group has entered into a legally binding agreement and confirmed orders with three counterparties (all being Independent Third Parties) in relation to the beneficiation and trading of iron ore fines in the aggregate amount of 50,000 tonnes and 23,000 tonnes respectively, involving a transaction amount of approximately HK\$94.6 million, the performance of which have been recognised as revenue in January 2024 with the existing resources and funding of the Group without having to take into account the debt restructuring and the revolving loan agreed by the Subscriber to be made available to the Group.

As described in the “Letter from the Board”, the Group is planning to enhance customer service under Qian’an Logistics by expanding its services to cover land transportation including loading services as well as provision of 24 hours online surveillance system accessible by customers in addition to the existing warehousing services.

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## LETTER FROM ALTUS CAPITAL

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In view of the above and assuming that funds are available following the completion of the Subscription as well as the revolving loan facility provided by the Subscriber, and the debts of the Group having been reduced to a manageable level following the completion of the debt restructuring under the Restructuring Plan, we concur with the Management that these actions may allow the Group to (i) generate a steadier streams revenue and cashflow (although contribution to profitability of the Group may be nominal); (ii) facilitate the Company to continue to operate as a going concern; and (iii) meet its financial liabilities as and when they fall due.

### 3. The Subscription

#### 3.1 *The Subscription Agreement*

Pursuant to the Subscription Agreement, 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. Details of the Subscription Agreement are set out in the “Letter from the Board” of the Circular.

Assuming there will be no other change in the number of New Shares from the Latest Practicable Date 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.

*3.2 Conditions precedent of the Subscription*

Completion of the Subscription is conditional upon the fulfillment (or waiver, where applicable) of certain conditions precedent, including, but not limited to, (i) the Executive granting and not having withdrawn or revoked the Whitewash Waiver to the Subscriber; (ii) the Executive granting and not having withdrawn or revoked its consent to the Special Deal; (iii) 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 transaction contemplated under the Subscription Agreement; (iv) 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 Subscription Shares; and (v) the Listing Division of the Stock Exchange having approved in principle of the Resumption. Details of the condition precedents are set out in the “Letter from the Board” of the Circular.

Save for conditions (a) and (l) as set out in the section headed “Conditions precedent of the Subscription” in the “Letter from the Board” of the Circular which may be waived by the Subscriber, none of the 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 Latest Practicable Date, save for condition (g), none of the conditions above has been fulfilled. In particular, we note that the entire exercise is premised upon the Resumption being approved.

### 3.3 *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 ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately HK\$6.66 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\$7.31 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.



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## LETTER FROM ALTUS CAPITAL

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We noted that 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 Subscription is part of a Restructuring Plan involving the Scheme to rehabilitate the businesses of the Group and to alleviate it from the financial difficulties it currently faces. The Management considers the Subscription to be exceptional circumstances allowed under Rule 7.27B of the Listing Rules where the Subscription Price is at such discount which would result in a theoretical dilution effect of 25% or more. In this respect, we have considered the appropriateness of comparing and analysing the Subscription Price against fund raising arrangements of companies listed on the Stock Exchange which have undergone rescue operations.

We have noted that issuance of subscription shares (if any) typically form a part of a larger debt restructuring scheme, and hence may be affected by other factors such as proportion of debt/claim being waived/relieved, settlement terms such as assets being transferred to creditors, fresh capital being raised, as well as fund raising methods such as share placings or convertible securities issuance or rights issue of shares. Given the above observation that each restructuring exercise is unique such as in terms of level of financial difficulties as well as rescue plan details, and given that the trading of the Shares on the Stock Exchange has been suspended since 24 May 2022 (which is more than 18 months ago) rendering the closing price of the Shares prior to the suspension of trading not reflective of the current financial condition and value of the Company, we are of the view that a comparable analysis of the Subscription Price, the issue price of the Creditors' Shares and the amount of indebtedness to be settled by the Creditors' Shares has its limitations.

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## LETTER FROM ALTUS CAPITAL

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Notwithstanding this, to augment the information which Independent Shareholders can use as reference, we have reviewed five transactions (“**Reference Transactions**”) of companies listed on the Main Board of the Stock Exchange which involved debt restructuring plans/rescue operations involving debt capitalisation, shares and/or convertible bonds issuance, and/or debt waiver or haircut (excluding those companies involved in the restructuring of part of their indebtedness only, such as offshore bonds). The list of Reference Transactions is exhaustive based on the selection criteria mentioned above. These transactions were announced between March and December 2023. We consider a period within one year from the Latest Practicable Date is adequate and illustrates the key elements of a “debt restructuring/rescue operation” under the prevailing stock market sentiment. As definition of what constitutes a “debt restructuring/rescue operation” is generic and broad, we are of the view, they serve as a fair and representative sample for drawing a meaningful reference to the key elements of a “debt restructuring/rescue operation”

The Reference Transactions identified are as follows:

- (i) CA Cultural Technology Group Limited (stock code: 1566, “**CA Cultural**”);
- (ii) China Qinfu Group Limited (stock code: 866, “**China Qinfu**”);
- (iii) Bay Area Gold Group Limited (stock code: 1194, “**Bay Area Gold**”). The shares of Bay Area Gold were suspended with effect from 1 April 2022 (which was about 20 months prior to the publication of the debt restructuring plan on 10 November 2023). The shares of Bay Area Gold are still suspended as at the Latest Practicable Date;
- (iv) Guangdong Adway Construction (Group) Holdings Company Limited (stock code: 6189, “**Guangdong Adway**”). The shares of Guangdong Adway were suspended with effect from 1 April 2022 (which was about 18 months prior to the publication of the debt restructuring plan on 22 September 2023). Trading in the shares of Guangdong Adway had resumed with effect from 27 November 2023; and
- (v) China Beidahuang Industry Group Holdings Limited (stock code: 39, “**Beidahuang**”).

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## LETTER FROM ALTUS CAPITAL

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While we noted that (i) the restructuring plans of CA Cultural, Bay Area Gold and Beidahuang have yet to be approved by their respective shareholders; and (ii) trading in the Shares has been suspended for about 20 months (since 24 May 2022) which is similar to Bay Area Gold and Guangdong Adway when trading in the shares of other Reference Transactions remained as usual, we are of the view that the terms of the proposed restructuring plans and their potential impact to public shareholders serve as a meaningful reference for our analysis.

## LETTER FROM ALTUS CAPITAL

Set out below is a table relating to the key elements of the “debt restructuring/rescue operation” of the above companies:

Company name	Date of announcement	Price or theoretical price per share on the last trading day	Market capitalisation (approximate)	Debt amount (approximate)	% of claims waived/hair cut	Cash bought in by new investors	Discount of issue price to the last trading day price per share	Discount of issue price to the last published audited net asset value	The terms of the creditors' scheme
CA Cultural	15 March 2023	HK\$0.82	HK\$97 million	HK\$1.1 billion	Nil	(i) Share subscription of HK\$94 million at HK\$0.1772 per share	78.39%	85.98%	Subject to the completion of the creditors' scheme, all the claims and liabilities of, the company will be compromised and discharged in full.
									It represents a premium of approximately HK\$1.097 over the theoretical unaudited consolidated net liabilities attributable to (i) a cash consideration of HK\$160 million; shareholders of CA Cultural as at 30 September 2022 of HK\$0.1772 per share; and approximately HK\$0.920 per new share as (iii) the account receivables due to and owing from the debtors to the company.
									Under the creditors' scheme, the scheme creditors will be entitled:
									the capital reorganisation.

## LETTER FROM ALTUS CAPITAL

Date of announcement	Price or theoretical price per share on the last trading day	Market capitalisation (approximate)	Debt amount (approximate)	% of claims waived/hair cut	Cash bought in by new investors	Discount of issue price to the last trading day price per share	Discount of issue price to the last published audited net asset value
(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
<b>Company name</b>							<b>The terms of the creditors' scheme</b>
							<p>Assuming the amount of account receivables can be recovered is zero, the company will allot and issue 59,000,000 creditors' shares where the scheme creditors will receive 1 creditors' share for every HK\$160.49 in the amount of the admitted claims due to them by the company for settlement of the debts of the scheme creditors in accordance with the terms of the scheme.</p> <p>Shareholding interest of the public shareholders of the company will be diluted from 88.62% to 6.8% (after completion of the share subscription, the issue of creditors' shares and assuming full conversion of the convertible bonds). In essence, a dilution of approximately 92.3%.</p>

LETTER FROM ALTUS CAPITAL

Company name	Date of announcement	Price or theoretical price per share on the last trading day	Market capitalisation (approximate)	Debt amount (approximate)	% of claims waived/hair cut	Cash bought in by new investors	Discount of issue price to the last trading day price per share	Discount of issue price to the last published audited net asset value
China Qinfā	20 December 2023	HK\$0.235	HK\$561 million	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
						(ii) convertible bonds subscription of HK\$160 million with conversion price at HK\$0.1772 per share		The terms of the creditors' scheme
					60%	Nil	Not applicable	Not applicable

## LETTER FROM ALTUS CAPITAL

Company name	Date of announcement	Price or theoretical price per share on the last trading day (Note 1)	Market capitalisation (approximate) (Note 1)	Debt amount (approximate) (Note 2)	% of claims waived/hair cut (Note 2)	Cash bought in by new investors (Note 2)	Discount of issue price to the last trading day price per share (note 2)	Discount of issue price to the last published audited net asset value (Note 2)	The terms of the creditors' scheme
Bay Area Gold	10 November 2023	HK\$3.50	HK\$104 million	HK\$5 billion	Nil	Share subscription of HK\$50 million at HK\$0.01 per share	99.71%	99.99%	Subject to the completion of the creditors' scheme, all the claims and liabilities of the company will be compromised and discharged in full.
									It represents a premium of approximately HK\$183.77 over the theoretical unaudited consolidated net liabilities of Bay Area (i) 2,000,000 creditors' shares to be issued at Gold as at 30 June 2023 HK\$2.50 per share; and of approximately HK\$183.76 per new (ii) the proceeds from the realisation of the share as adjusted for the excluded companies and transferred claims. effect of the capital reorganisation.

## LETTER FROM ALTUS CAPITAL

Company name	Date of announcement	Price or theoretical price per share on the last trading day	Market capitalisation (approximate)	Debt amount (approximate)	% of claims waived/hair cut	Cash bought in by new investors	Discount of issue price to the last trading day price per share	Discount of issue price to the last published audited net asset value	The terms of the creditors' scheme
		(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(note 2)	(Note 2)	<p>Assuming the amount of proceeds that can be realised is zero, the company will allot and issue 2,000,000,000 creditors' shares where the scheme creditors will receive 1 creditors' share for every HK\$2.50 in the amount of the admitted claims due to them by the company for settlement of the debts of the scheme creditors in accordance with the terms of the scheme.</p> <p>Shareholding interest of the public shareholders of the company will be diluted from 50.73% to 0.22% (after completion of the share subscription and the issue of creditors' shares). In essence, a dilution of approximately 99.6%.</p>
					(ii) for conversion of debt to equity at HK\$2.50 per creditors' share		28.57%		



## LETTER FROM ALTUS CAPITAL

Company name	Date of announcement	Price or theoretical price per share on the last trading day (Note 1)	Market capitalisation (approximate) (Note 1)	Debt amount (approximate) (Note 2)	% of claims waived/hair cut (Note 2)	Cash bought in by new investors (Note 2)	Discount of issue price to the last trading day price per share (note 2)	Discount of issue price to the last published audited net asset value (Note 2)	The terms of the creditors' scheme
Guangdong Adway	22 September 2023	HK\$0.395	HK\$25 million (H-shares)	RMB669 million	72% (i)	Share subscription of HK\$54.5 million at HK\$0.185 per share	53.16%	Not applicable as already net liabilities amount to approximately RMB185.7 million, which will then be settled by: of approximately HK\$3.068 over the (i) realization of certain assets of the company (such as office property, a foreign investment, certain accounts receivables and cash) in the liabilities of the company as at 31 December 2022 of approximately RMB2.62 million; and (ii) cash proceeds of RMB50 million (equivalent to approximately HK\$54.5 million) funded by the HK\$2.883 share subscription.	

## LETTER FROM ALTUS CAPITAL

Date of announcement	Price or theoretical price per share on the last trading day	Market capitalisation (approximate)	Debt amount (approximate)	% of claims waived/hair cut	Cash bought in by new investors	Discount of issue price to the last trading day price per share	Discount of issue price to the last published audited net asset value
	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(note 2)	(Note 2)
<b>Company name</b>							<b>The terms of the creditors' scheme</b>
							<p>It represents a premium of Shareholding interest of the public H shares holders approximately HK\$2.775 of the company will be diluted from 26.05% to over the unaudited 11.72% (after completion of the share subscription). In essence, a dilution of approximately 55.0%.</p> <p>consolidated net liabilities value of Guangdong Adway as at 30 June 2023 of approximately RMB2.35 (equivalent to approximately HK\$2.590) per share.</p>

## LETTER FROM ALTUS CAPITAL

Company name	Date of announcement	Price or theoretical price per share on the last trading day (Note 1)	Market capitalisation (approximate) (Note 1)	Debt amount (approximate) (Note 2)	% of claims waived/hair cut (Note 2)	Cash bought in by new investors (Note 2)	Discount of issue price to the last trading day price per share (note 2)	Discount of issue price to the last published audited net asset value (Note 2)	The terms of the creditors' scheme
Beidahuang	25 January 2024	HK\$0.21	HK\$1.3 billion	HK\$724 million	Nil	Share subscription of HK\$85 million at HK\$0.10 per share	52.38%	19.64%	Subject to the completion of the creditors' scheme, all the claims and liabilities of the company will be compromised and discharged in full.
									It represents a discount of approximately 7.41% to the unaudited consolidated net asset value of approximately HK\$0.108 as at 30 June 2023 per share.
									Under the creditors' scheme, the scheme creditors will be entitled:
									(i) a cash consideration, which comprise:
									1. a cash consideration of HK\$45 million; and
									2. the proceeds from the realisation of the excluded companies and transferred claims.

Or



## LETTER FROM ALTUS CAPITAL

Company name	Date of announcement	Price or theoretical price per share on the last trading day (Note 1)	Market capitalisation (approximate) (Note 1)	Debt amount (approximate) (Note 2)	% of claims waived/hair cut (Note 2)	Cash bought in by new investors (Note 2)	Discount of issue price to the last trading day price per share (note 2)	Discount of issue price to the last published audited net asset value (Note 2)
The Company	7 November 2023	HK\$1.86	HK\$119 million	approximately HK\$692.4 million	Nil	Share subscription of HK\$50 million at HK\$0.341 per Subscription Share	81.67%	Not applicable as already net liabilities compromised and discharged in full.
								Subject to the completion of the Scheme, all the claims and liabilities of, the Company will be compromised and discharged in full.
								Under the Scheme, the Scheme Creditors will be entitled to the Scheme Consideration, being:
								(i) a cash consideration of HK\$10 million (which is funded by the Subscription);
								(ii) the allotment and issue of 82,055,358 Creditors' Shares, credited as fully paid; and
								(iii) the Realisation Proceeds.
								the Capital Reorganisation.

## LETTER FROM ALTUS CAPITAL

Date of announcement	Company name	Price or theoretical price per share on the last trading day (Note 1)	Market capitalisation (approximate) (Note 1)	Debt amount (approximate) (Note 2)	% of claims waived/hair cut (Note 2)	Cash bought in by new investors (Note 2)	Discount of issue price to the last trading day price per share (note 2)	Discount of issue price to the last published audited net asset value (Note 2)
								<b>The terms of the creditors' scheme</b>
								<p>It represents a premium of approximately HK\$7.31 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. In essence, a dilution of approximately 78.1%.</p>
								<p>Assuming the Realisation Proceeds is zero, the Company will allot and issue 82,055,358 Creditors' Shares where the Scheme Creditors will receive 1 Creditors' Share for every HK\$8.33 in the amount of the Admitted Claims due to them by the Company for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme.</p>
								<p>Shareholding interest of the public Shareholders will be diluted from 58.36% to 12.7% (after completion of the Share Subscription and the issue of Creditors' Shares). In essence, a dilution of approximately 78.1%.</p>

*Notes:*

- (1) By reference to the closing price per share as quoted on the last trading day before the publication of the announcement relating to the debt restructuring and the number of shares in issue on the last trading day of the subject company.
- (2) Based on the information set out in the announcement or circular published by the subject company.

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## LETTER FROM ALTUS CAPITAL

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We observed from the Reference Transactions that:

- (i) the debt/claim amount involved ranged from RMB325 million (approximately HK\$375.5 million) to HK\$5 billion;
- (ii) the proportion of debt waiver/hair cut ranged from nil to 72% of the debt/claim amounts;
- (iii) scheme structure:
  - for CA Cultural, it involves transfer of assets to creditors, issuance of new shares and convertible bonds;
  - for China Qinfu, it involves debt waiver and loan maturity extension;
  - for Bay Area Gold, it involves share subscription, conversion of debt to equity and transfer of assets and disposal proceeds to creditors;
  - for Guangdong Adway, it involves debt waiver, disposal proceeds to creditors and issuance of new shares; and
  - for Beidahuang, it involves share subscription and disposal proceeds to creditors.
- (iv) discount levels of share subscription ranged from approximately 52.38% to 99.71%, while discount level of conversion of debt to equity was approximately 28.57%;
- (v) (a) with regard to the last published audited reports referred to in the restructuring proposal announcement of the relevant Reference Transactions:
  - a discount levels of share subscription ranged from 19.64% to 99.99% of the last published audited net asset value or a premium of HK\$3.068 per share over the last published audited net liabilities.

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## LETTER FROM ALTUS CAPITAL

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- (b) with regard to the last published unaudited accounts referred to in the restructuring proposal announcement of the relevant Reference Transactions:
- a discount level of 7.41% to the last published unaudited net asset value or a premium ranging from HK\$1.097 to HK\$183.77 per share over the last published unaudited net liabilities.
- (vi) assuming the realisation proceeds is zero, one creditors' share will settle (a) for CA Culture: HK\$160.49 of debt at the issue price of HK\$0.1772 per share; (b) for Bay Area Gold: HK\$2.50 of debt at the issue price of HK\$2.50 per share; and (c) for Beidahuang: HK\$1.80 of debt at the issue price of HK\$0.10 per share; and
- (vii) the dilution levels to the public shareholders' interest in the company upon completion of the subscription and the creditors' scheme (assuming full conversion of the convertible bonds (if any)) range from 16.2% to 99.6%.

In summary, issuance of subscription shares (if any) typically form a part of a larger debt restructuring scheme, and hence may be affected by other factors such as proportion of debt/claim being waived/relieved, settlement terms such as assets being transferred to creditors, fresh capital being raised, as well as fund raising methods such as share placings or convertible securities issuance or rights issue of shares.

As for the Company, we noted that:

- (i) the Group's outstanding debt as at 30 November 2023 was approximately HK\$692.4 million;
- (ii) there was no waiver/hair cut to the debt;
- (iii) the Restructuring Plan involves the Capital Reorganisation, the Subscription and the Scheme (which comprise cash, transfer of assets and disposal proceeds to creditors and issue of creditors' Shares);
- (iv) the Subscription Shares will be issued at a discount of approximately 81.67% to the theoretical closing price per New Share on the Last Trading Day;



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## LETTER FROM ALTUS CAPITAL

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- (v) (a) with regard to the last published audited report of the Company:
- it represents a premium of HK\$6.66 per share over the theoretical audited consolidated net liabilities to owners of the Company as at 31 December 2022 (being the last published audited net liabilities).
- (b) with regard to the last published unaudited report of the Company:
- It represents a premium of approximately HK\$7.31 over the theoretical unaudited consolidated net liabilities attributable to owners of the Company as at 30 June 2023 (being the last published unaudited net liabilities).
- (vi) assuming the realisation proceeds is zero, one Creditors' Share will settle HK\$8.33 of debt at the issue price of HK\$0.01 per Creditor Share; and
- (vii) the dilution level to the public shareholders' interest in the Company at approximately 78.1%.

The above comparable analysis, while with its limitations, serves to show that the Subscription Price and the issue price of the Creditors' Shares are no worse off than the Reference Transactions and from the Independent Shareholders' perspective, the dilution to their shareholders' interest in the Company is less extreme than CA Cultural and Bay Area Gold.

From a holistic point of view, after taking into account the factors considered and the reasons for and benefits of the Restructuring Plan as described in this letter, although the dilution impact to the public shareholders of the Company of approximately 78.1% is higher than the approved restructuring plan of Guangdong Adway (when the restructuring plans of CA Cultural, Bay Area Gold and Beidahuag have yet to be approved by their respective shareholders), we are of the view that such dilution is inevitable and acceptable given the current circumstances so as to facilitate the Restructuring Plan and the Resumption.

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## LETTER FROM ALTUS CAPITAL

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Having discussed with the Management, we noted that the Company has considered other fund raising alternatives, including but not limited to bank borrowing, issue of convertible bonds and other forms of equity financing such as rights issue, open offer and placing of new shares since mid-to-late 2021. However, issue of convertible bonds and other forms of equity financing were no longer feasible options given the suspension of trading in the Shares in May 2022. We also noted that the Company had approached some other financiers since early 2022 for financing but its efforts were to no avail due to the financially distressed situation of the Group. Given the financial situation and listing status of the Company, the Company has been approaching potential investors and discussions with the Subscriber started in early 2023. Accordingly, the Directors believe and we concur that the Subscription would be the only available funding source for the Company to turn around its financial position and is in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the Shares have been suspended for trading for more than 18 months and the Group's financial condition has further deteriorated since; (ii) a level of discount reflects the risk and uncertainties surrounding the Restructuring Plan (including the Resumption) as well as the time, efforts and resources incurred and to be incurred by the Subscriber during the entire negotiation process; (iii) the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber and according to the Management there is no other rescue plan that is available; and (iv) the Subscription Price represents a premium to the theoretical unaudited consolidated net liabilities attributable to owners of the Company per Share as adjusted for the effect of the Capital Reorganisation, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

*3.4 Reasons for the Subscription and use of proceeds*

In view of the financial position of the Group as described in the section headed “2. Financial information of the Group” above, the Subscription is part of the corporate rescue exercise of the Company intended for providing relief to the Company’s indebtedness and to raise sufficient funding for the continuing operations of the Group.

According to the Directors, 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 Plan. 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 corporate rescue exercise, 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 Board believes and we concur 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 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; (ii) approximately HK\$20 million for prepayment for the supply of iron ores under a Mineral Sales Agreement (as mentioned in the section headed “1.1.1 The Commodities Beneficiation and Trading Business” above); (iii) approximately HK\$8 million for the settlement of the restructuring expenses; and (iv) the remaining balance for the general working capital of the Group.

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## LETTER FROM ALTUS CAPITAL

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From the perspective of Shareholders, given that the Group has net liabilities and the businesses of the Group have reported continuous losses, their shareholding in the Company is of nominal or, in the worst-case scenario, no value. Given the above, we are of the view that the Subscription, which is an essential element of the corporate rescue exercise of the Group, the terms of which are justifiable, fair and reasonable and in the interests of the Company and the Shareholders as a whole despite its dilution effect on the shareholding of Shareholders.

#### 4. The Scheme of Arrangement

##### 4.1 *The Scheme*

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 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;

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## LETTER FROM ALTUS CAPITAL

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- (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 30 November 2023, the total estimated indebtedness owed by the Company to the Scheme Creditors amounts to approximately HK\$692.4 million. 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.

On 29 November 2023, the Company published a quarterly update announcement on progress of Resumption which stated, among other things, that the High Court has directed the Company, among other things, that (a) the Company may convene the scheme meeting for the purpose of considering and, if thought fit, approving (with or without modification or condition approved and imposed by the High Court) the Scheme; and (b) the hearing at the High Court will determine the Company's sanction the Scheme shall be heard on 7 March 2024.

As at the Latest Practicable Date, there were a total of 14 Scheme Creditors. The Scheme Meeting was held on 25 January 2024 and the Scheme was approved by the requisite statutory majorities of the Scheme Creditors of not less than 75% in value of the Scheme Creditors and 50% in number of the Scheme Creditors. The Scheme Creditors have also approved the formation of a committee of the Scheme Creditors, conditional upon the Scheme becoming effective, with whom the Scheme Administrators will consult before deciding how to dispose of assets of the Company.

4.2 *The benefits of implementing the Scheme*

*The Scheme Fund*

Upon the Scheme becoming effective, 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. We note that the aforesaid amount that is to be used to repay the Scheme Creditors is not material relative to the amount raised from the Subscription and based on our discussion with the Management, the balance proceeds are sufficient, in particular, for the working capital and financing the Group's various businesses after the Reorganization.

*The Excluded Subsidiaries*

Upon the Scheme becoming effective, the Excluded Subsidiaries (which hold the Company's business in Dongguan, its oil business in the United States and its investments in Inner Mongolia) will transferred by the Company for the purpose of Realisation Proceeds. This entails the sale or other dispositions of the equity shares and/or assets of the Excluded Subsidiaries, and the net monetary amounts from the sale will form part of the Scheme Consideration to be distributed to Scheme Creditors.

Based on our discussion with the Management, we understand that the Excluded Subsidiaries are non-core assets that have minimal synergy with the Group's principal businesses.

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## LETTER FROM ALTUS CAPITAL

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It is noted under the section headed “Disposal of Excluded Subsidiaries under the Scheme” of the “Letter from the Board”, the Excluded Subsidiaries has in aggregate unaudited book value of net assets of approximately HK\$741.8 million as at 30 June 2023 (mainly comprise of (i) approximately HK\$75.8 million under the USA oil business and (ii) approximately HK\$665.4 million under the Inner Mongolia investment), which on the face of it looks exceeding the outstanding amount of indebtedness of approximately HK\$692.4 million as at 30 November 2023 owed by the Group to the Scheme Creditors. However, we also noted that (i) such book value of net assets presented are based on the individual financial statement of each entity on a stand-alone basis without taking into account the impairment made at Group level over the past years, and are exclusive of any intercompany receivables/payables and investments in subsidiaries; (ii) the USA oil business requires significant resources for maintenance to preserve its value and operational status which is not feasible due to the low profitability of the current oil operations; and (iii) the Company has no control on the business of Inner Mongolia investment as it is only an investment in associate. Besides, the assets of Wulanchabu is classified as construction in progress from accounting perspective as it is not available for use given the project is not operational. The Directors are given to understand that the project can only become operational after Wulanchabu injects further funds to complete the transfer of title registration but the amount is unknown to the Company. In view of the above, we believe the underlying value of the Excluded Subsidiaries will not exceed the outstanding amount of indebtedness of approximately HK\$692.4 million as at 30 November 2023 owed by the Group to the Scheme Creditors. As described under the section headed “3.3 The Subscription Price” above, assuming the Realisation Proceeds is zero, the Company will allot and issue 82,055,358 Creditors’ Shares where the Scheme Creditors will receive one Creditors’ Share for every HK\$8.33 in the amount of the Admitted Claims due to them by the Company for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme.

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## LETTER FROM ALTUS CAPITAL

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According to the Directors, taking into account further impairment made and to be made at Group level for the year ended 31 December 2023, it is estimated that the Excluded Subsidiaries would be in net liabilities of about HK\$20 million. Such impairments mainly involve the US oil business. Although the Excluded Subsidiaries for the US oil business recorded a book value of approximately HK\$75.8 million as at 31 December 2023, such amount relates to unextracted oil reserves located in certain USA oil fields in which the relevant Excluded Subsidiaries hold production and exploration rights to. According to the Management, taking into account the distressed financial position of the Group and the low profitability of the current oil operations, it is not practicable to continue to support ongoing maintenance costs for the oil wells which include the substantial costs involved in complying with the local regulations which require idle wells either be reactivated for use or be plugged.

Irrespective of the estimated net worth of the Excluded Subsidiaries (be it a net liabilities of about HK\$20 million as at 31 December 2023 (after taking into account of the impairments at Group level) or having any value which the Scheme Administrator may eventually recover from the disposal under the Scheme), it is not feasible for the Directors, at the present moment, to provide a reliable estimate of the proceeds to be realised from the disposal of the Excluded Subsidiaries due to various unpredictable factors, for example, the actions which the Scheme Administrator will take when conducts the disposal or the then market conditions which may affect disposal prices. Accordingly, for our analysis purpose, it is practicable, fair and reasonable to apply a universal assumption on the Company and the Reference Transactions (as applicable) that the realisation proceeds be set at zero.

After due and careful consideration, the Management considers that the most effective way to restore the financial position of the Company and to maximise the recovery to its creditors is to restructure the Company's indebtedness by way of the Restructuring Plan. The successful implementation of the Restructuring Plan will reduce the Group's overall indebtedness and allow the Group to have a suitable capital restructuring which would facilitate compliance with its post-restructuring obligations and allow it to trade on a going concern basis.



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## LETTER FROM ALTUS CAPITAL

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As the Scheme involves, among others, the proposed settlement of the indebtedness due to certain Scheme Creditors who are Shareholders, constitutes favourable conditions which are not extended to all Shareholders (i.e. the Special Deal). We firstly note that the amount and value of settlement is generally substantially lower than the indebtedness owed to such Scheme Creditors (who are also Shareholders). Secondly, the Restructuring Plan is beneficial not only to the Scheme Creditors but also the Shareholders and the Company as a whole as, if without the Scheme, the Company would not be able to formulate the corporate rescue exercise. Accordingly, the Directors believe the Scheme (including the issuance of the Creditors' Shares under the Specific Mandate) is favourable to the Shareholders in terms of discharging the Company's obligations owed to the Scheme Creditors.

Taking into account:

- (i) our independent work done on reviewing the Reference Transactions as described under the section headed "3.3 The Subscription Price" above, which shows that the Subscription Price and the issue price of the Creditors' Shares are no worse off than the Reference Transactions and from the Independent Shareholders' perspective, the dilution to their shareholders' interest in the Company is less extreme than CA Cultural and Bay Area Gold,
- (ii) the difference between the Subscription Price of the Subscription Shares and the issue price of the Creditors' Shares due to the different nature of and circumstances leading to the issue of Subscription Shares and the Creditors' Shares as described in the "Letter from the Board", which we concur with the underlying reason; and
- (iii) the Scheme is an element of the corporate rescue exercise of the Group,

we are of the view that the Scheme, the issue price of the Creditors' Shares and the amounts of indebtedness to be settled per Creditors' Share are justifiable, fair and reasonable and in the interests of the Company and the Shareholders as a whole from the perspectives of rehabilitating the financial position and business operations of the Group, which in turn, to facilitate the Resumption, and to enable the Group to sustainably operate and expand its businesses in future.

**5. Dilution effect to existing Shareholders**

As illustrated in the section headed “Effects on the shareholding structure of the Company” set out in the “Letter from the Board” of the Circular, the shareholding of the existing public Shareholders would be diluted from approximately 58.36% to approximately 12.78%.

As described above, from the perspective of existing Shareholders, given that the Group has net liabilities and the businesses of the Group have reported continuous losses, their shareholding in the Company is of nominal or, in the worst-case scenario, no value. Meanwhile, we note that (i) the completion of the proposed restructuring including but not limited to the Capital Reorganisation, the Subscription and the Scheme form part of the Resumption Plan; (ii) as mentioned under the section headed “1. Background information of the Group and various development updates” above, if the conditions for the Resumption could not be materialised, it is possible that the Stock Exchange may eventually cancel the listing of the Shares; (iii) the proceeds from the Subscription will provide funding for the Scheme and the working capital to the Group to continue operating its various businesses; and (iv) following completion of the Restructuring Plan, the Group would be able to reduce its overall indebtedness and allow it to trade on a going concern basis.

Although the Subscription only contributes net proceeds of approximately HK\$48.5 million as described in the section headed “3.4 Reasons for the Subscription and use of proceeds” above, it augments the Restructuring Plan of the Group where (i) the Group’s overall indebtedness can be reduced after Completion; (ii) the Group may trade on a going concern basis going forward; and (iii) it facilitates the Resumption. In addition, the Company, as borrower, entered into a facility agreement dated 30 October 2023, with the Subscriber, as lender, in relation to the provision of a revolving loan facility of up to HK\$100 million, subject to the Resumption, for the purpose of financing the general working capital requirements of the Group. Having weighed the above, in particular the concept that having a smaller ownership in Shares of value (which is expected to be generated through the completion of the Restructuring Plan (including the Resumption)) is more favourable to a larger ownership in Share of nominal or no value (when the Shares are suspended from trading and the Group has net liabilities), we are of the view that the aforesaid dilution effect is fair and reasonable as far as the Independent Shareholders are concerned.

**6. Potential financial effects of the Subscription and the Scheme**

Following the completion of the Restructuring Plan, (i) the net proceeds of the Subscription will be applied as to (a) approximately HK\$10 million for the Scheme Funds; and (b) the remaining balance for the settlement of the restructuring expenses and general working capital of the Group; (ii) the financial results of the Excluded Subsidiaries will be deconsolidated from the financial statements of the Group; and (iii) the Company's obligations owed to the Scheme Creditors will be discharged in full. Accordingly, the Group would be able to reduce its overall indebtedness and allow it to trade on a going concern basis.

It is also stated in the section headed "5. Sufficiency of working capital" in Appendix I to the Circular that the Directors are of the opinion that, after taking into account: (i) the present financial resources available to the Group, including internally generated funds, the available credit facilities; (ii) the Capital Reorganisation; (iii) the implementation of the Scheme; and (iv) the estimated net proceeds from the Subscription, the Group will have sufficient working capital for at least twelve months from the date of the Circular, in the absence of unforeseeable circumstances.

Based on the above, we are of the view that the Subscription and the Scheme will have positive effects on the financial position of the Group which is favourable to Independent Shareholders.

**7. The Whitewash Waiver**

As at the Latest Practicable Date, 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 Restructuring Plan, the Subscriber and parties acting in concert with it will be interested in 152,182,134 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.

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## LETTER FROM ALTUS CAPITAL

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As described in the “Letter from the Board”, Ms. Choi, being the ultimate beneficial owner of the Subscriber, wholly-owns a company incorporated in Australia with limited liability which is the owner of an iron ore mine in Australia and has experience and connections in commodities trading business. Such company entered into the Mineral Sales Agreement (see also described in paragraph headed “1.1.1 The Commodities Beneficiation and Trading Business” above). In addition to the Subscription, the HK\$100 million revolving loan facility to be provided by the Subscriber as mentioned in the section headed “5. Dilution effect to existing Shareholders” above demonstrates the Subscriber’s support and commitment towards, the Company’s business operations, as well as its confidence in the Group’s long-term development. Taking into account the above, we are of the view that the Subscriber is committed towards supporting the Group’s business model so as to enable a long term organic growth of the Company.

Based on our analysis of the benefits and terms of the Subscription above, we consider that the Subscription is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a pre-requisite for the Subscription, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of the Subscription.

### **8. The Special Deal**

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.

Given that (i) the Scheme is an integral part of the Restructuring Plan; (ii) the benefits of implementing the Scheme; and (iii) the potential financial effects of the Subscription and the Scheme, we are of the view that that the proposed settlement of the indebtedness due to certain Scheme Creditors who are Shareholders which constitutes a Special Deal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of the Scheme.

## RECOMMENDATIONS

### (a) The Subscription

In summary, having considered,

- (i) the reasons for the Subscription and use of proceeds; and
- (ii) the terms of the Subscription are fair and reasonable;

we are of the view that the terms of the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Subscription.

### (b) The Whitewash Waiver

Having taking into account,

- (i) the reasons for the Subscription and use of proceeds;
- (ii) the terms of the Subscription are fair and reasonable; and
- (iii) that the Subscription is conditional upon, amongst other things, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied,

we are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole for the purpose of the Subscription. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver.

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## LETTER FROM ALTUS CAPITAL

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**(c) The Special Deal**

Having taking into account,

- (i) the Scheme is an integral part of the Restructuring Plan, which in turn, facilitate the Resumption;
- (ii) the benefits of implementing the Scheme; and
- (iii) the potential financial effects of the Subscription and the Scheme,

we are of the view that that the proposed settlement of the indebtedness due to certain Scheme Creditors who are Shareholders which constitutes a Special Deal is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM for the Special Deal.

**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.**

Yours faithfully,  
For and on behalf of  
Altus Capital Limited

**Jeanny Leung**  
*Responsible Officer*

**Chang Sean Pey**  
*Responsible Officer*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

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## LETTER FROM ALTUS CAPITAL

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*Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial information of the Group for the interim period ended 30 June 2023 as extracted from the annual reports of the Company for the financial years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the six months ended 30 June 2023	For the year ended 31 December		
	HK\$'000 (unaudited)	2022 HK\$'000 (audited)	2021 HK\$'000 (audited)	2020 HK\$'000 (audited)
Revenue	2,470	7,449	13,647	34,609
Cost of sales and services	<u>(1,321)</u>	<u>(2,078)</u>	<u>(8,069)</u>	<u>(32,912)</u>
Gross profit	1,149	5,371	5,578	1,697
Other income and gain	65	268	263	3,213
Administrative expenses	(11,690)	(37,312)	(34,454)	(38,536)
Gain on deemed acquisition of an associate	–	–	–	1,651
Loss on disposal of oil properties	–	–	–	(1,573)
Impairment of goodwill	–	–	(55,960)	(32,778)
Impairment of interests in associates	–	–	(172,846)	(274,898)
Impairment of prepayments, deposits and other receivables	–	(16,457)	(11,082)	(2,800)
Share of profit of associates	–	–	15,891	(3,663)
Finance costs	<u>(26,606)</u>	<u>(51,456)</u>	<u>(51,199)</u>	<u>(51,498)</u>
Loss before tax	(37,082)	(99,586)	(303,809)	(399,185)
Income tax credit	<u>–</u>	<u>–</u>	<u>1,130</u>	<u>17,011</u>
Loss for the period/year	<u>(37,082)</u>	<u>(99,586)</u>	<u>(302,679)</u>	<u>(382,174)</u>



	For the six months ended	For the year ended 31 December		
	30 June 2023	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Other comprehensive income				
Items that may be reclassified				
subsequently to profit or loss:				
Exchange differences on				
translation of foreign operations	(4,331)	(19,567)	7,133	14,404
	<u>(4,331)</u>	<u>(19,567)</u>	<u>7,133</u>	<u>14,404</u>
Total comprehensive expense for				
the period/year	(41,413)	(119,153)	(295,546)	(367,770)
	<u>(41,413)</u>	<u>(119,153)</u>	<u>(295,546)</u>	<u>(367,770)</u>
Loss for the period/year				
attributable to:				
Owners of the Company	(35,066)	(94,519)	(295,153)	(376,908)
Non-controlling interests	(2,016)	(5,067)	(7,526)	(5,266)
	<u>(37,082)</u>	<u>(99,586)</u>	<u>(302,679)</u>	<u>(382,174)</u>
Loss for the period/year	(37,082)	(99,586)	(302,679)	(382,174)
Total comprehensive expense for				
the period/year attributable to:				
Owners of the Company	(36,441)	(107,999)	(290,680)	(367,418)
Non-controlling interests	(4,972)	(11,154)	(4,866)	(352)
	<u>(41,413)</u>	<u>(119,153)</u>	<u>(295,546)</u>	<u>(367,770)</u>
Total comprehensive expense for				
the period/year	(41,413)	(119,153)	(295,546)	(367,770)
	<u>(41,413)</u>	<u>(119,153)</u>	<u>(295,546)</u>	<u>(367,770)</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Loss per share				
– Basic	(0.05)	(0.15)	(0.48)	(0.66)
– Diluted	N/A	N/A	N/A	N/A
	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Save as disclosed in the consolidated financial statements of the Group for each of the financial years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, there were no material items of income or expense nor were there any dividend declared for each of the financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

### **Disclaimers of opinion**

The auditor's report issued by CCTH CPA Limited in respect of the Group's audited consolidated financial statements for the financial years ended 31 December 2020, 2021 and 2022 contained qualification and disclaimers of opinions as extracted below:

(i) **Financial year ended 31 December 2020**

**"DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of Silk Road Logistics Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 63 to 149, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

## Going concern

As disclosed in note 2 to the consolidated financial statements, the current liabilities of the Group at 31 December 2020 exceed the Group's current assets at that date by approximately HK\$549,603,000 and the Group incurred net loss of approximately HK\$382,174,000 for the year ended 31 December 2020. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group, as set out in note 2 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements."

(ii) **Financial year ended 31 December 2021**

## "DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Silk Road Logistics Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 75 to 169, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### BASIS FOR DISCLAIMER OF OPINION

##### Going concern

As disclosed in note 2 to the consolidated financial statements, the current liabilities of the Group at 31 December 2021 exceed the Group's current assets at that date by approximately HK\$562,668,000; the total liabilities of the Group at 31 December 2021 exceed the Group's total assets at that date by approximately HK\$286,497,000; and the Group incurred net loss of approximately HK\$302,679,000 for the year ended 31 December 2021. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group, as set out in note 2 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements."

(iii) **Financial year ended 31 December 2022**

## “DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Silk Road Logistics Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 80 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

## Going concern

As disclosed in note 2 to the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group’s current assets at that date by approximately HK\$652,265,000; the total liabilities of the Group at 31 December 2022 exceed the Group’s total assets at that date by approximately HK\$405,650,000; and the Group incurred net loss of approximately HK\$99,586,000 for the year ended 31 December 2022. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group, as set out in note 2 to the consolidated financial

statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements."

## 2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this circular the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**2021 Financial Statements**"); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**2022 Financial Statements**"); and (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 (the "**2023 Interim Statements**"), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out on pages 63 to 149 of the annual report of the Company for the year ended 31 December 2020, which was published on 29 April 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900787.pdf>

The 2021 Financial Statements are set out on pages 75 to 169 of the annual report of the Company for the year ended 31 December 2021, which was published on 28 April 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800914.pdf>

The 2022 Financial Statements are set out on pages 80 to 171 of the annual report of the Company for the year ended 31 December 2022, which was published on 27 April 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702689.pdf>

The 2023 Interim Statements are set out on pages 2 to 24 of the interim report of the Company for the six months ended 30 June 2023, which was published on 28 September 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www.hkexnews.hk/listedco/listconews/sehk/2023/0928/2023092800352.pdf>

### 3. NO MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group for the period commencing since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date:

- (1) as disclosed in the interim report for the six months ended 30 June 2023, the Group recorded revenue and net loss of approximately HK\$2.5 million and HK\$37.1 million for the six months ended 30 June 2023, representing a decrease of approximately 36.9% and 4.9% respectively as compared to those for the six months ended 30 June 2022;
- (2) subsequent to 30 June 2023, the Group has resumed its commodities trading business which contributed to an increase in revenue of the Group, but gross profit margin of this business was thin and hence this business segment's profit contribution to the Group's overall profit and loss situation was nominal;

- (3) on 18 August 2023, the Company received the Petition filed by the Petitioner at the High Court in relation to an indebted sum of approximately HK\$65.6 million. At the adjourned hearing for the Petition on 13 December 2023, the hearing has been further adjourned to 7 February 2024;
- (4) on 7 November 2023, the Company announced that as part of its Resumption Plan and for providing relief to its indebtedness and sufficient funding for the continuing operations of the Group, the Company will carry out restructuring involving: (i) the Capital Reorganisation; (ii) the Subscription; and (iii) the Scheme;
- (5) on 29 November 2023, the Company published a quarterly update announcement on progress of the Resumption which stated that (i) the High Court has directed the Company, among other things, that (a) the Company may convene the scheme meeting for the purpose of considering and, if thought fit, approving (with or without modification or condition approved and imposed by the High Court) the Scheme; and (b) the hearing at the High Court will determine the Company's sanction the Scheme shall be heard on 7 March 2024; (ii) the Company has submitted the resumption plan to the Stock Exchange on 7 November 2023; and (iii) the entering into of the mineral sales agreement on 23 November 2023 with a company incorporated in Australia;
- (6) on 15 December 2023, the Company received a letter from the Stock Exchange stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "**Delisting Decision**"). On 28 December 2023, the Company has submitted an application requesting the Delisting Decision be referred to the Listing Review Committee of the Stock Exchange for review; and
- (7) the Scheme Meeting was held on 25 January 2024 and the Scheme was approved by the requisite statutory majorities of the Scheme Creditors of not less than 75% in value of the Scheme Creditors and 50% in number of the Scheme Creditors. The Scheme Creditors have also approved the formation of a committee of the Scheme Creditors, conditional upon the Scheme becoming effective, with whom the Scheme Administrators will consult before deciding how to dispose of assets of the Company.



#### 4. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the details of the Group's indebtedness are as follows:

##### **Borrowings**

As at the close of business on 30 November 2023, the Group had outstanding borrowings of approximately HK\$692,638,000, comprising (i) unsecured and unguaranteed other borrowings from a related party to the Company of approximately HK\$527,775,000, which bear interest at 6% per annum with overdue interest at 5% per annum; (ii) unsecured and unguaranteed promissory note payable by the Company of approximately HK\$86,011,000, which bears interest at 6% per annum with overdue interest at 6% per annum; (iii) unsecured and unguaranteed amounts due to third parties with an aggregate of approximately HK\$39,640,000, which bear interest at 3% to 8% per annum and repayable on demand; (iv) unsecured and unguaranteed other borrowings from a related party to the Company of approximately HK\$22,855,000, which bear interest at 10% per annum and repayable on demand; (v) unsecured and unguaranteed other borrowings from a shareholder to the Company of approximately HK\$1,411,000, which bear interest at 6% per annum and repayable on demand; and (vi) unsecured and unguaranteed amounts due to third parties with an aggregate of approximately HK\$14,946,000, which are interest free and repayable on demand.

##### **Other payables**

As at the close of business on 30 November 2023, the Group had outstanding other payables of approximately HK\$81,625,000.

##### **Lease liabilities**

As at the close of business on 30 November 2023, the Group had a commitment for future payment totaling approximately HK\$11,937,000 for the lease of a parcel of land located in the PRC.

**Contingent liabilities arising from litigations**

As at the close of business on 30 November 2023, the Group had pending litigations, details of which are set out in section 7 headed “Litigation” in Appendix II of this circular.

Save as disclosed above, at the close of business on 30 November 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts or other similar indebtedness, lease liabilities or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgage, charges, guarantees or other material contingent liabilities.

**5. SUFFICIENCY OF WORKING CAPITAL**

As at 30 June 2023, the Group had net current liabilities and net liabilities of approximately HK\$679,593,000 and HK\$447,063,000 respectively. The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available banking and other facilities of the Group, the Group will not have sufficient working capital for at least twelve months from the date of this circular.

However, if the following events are materialized, the Group’s liquidity and financial position will be improved, and the Group will have sufficient working capital for at least twelve months from the date of this circular:

- (1) the execution of the share subscription of the subscription agreement for which 146,820,480 new shares at a total subscription price of HK\$50,000,000 will be allotted following the Resumption and Capital Reorganisation comes into effect, of which (i) HK\$10,000,000 for full settlement of debts due to Scheme Creditors under the Scheme; and (ii) the remaining balance for the settlement of the restructuring expenses and general working capital of the Group.

Details of the share subscription are set out in “2. Subscription of New Shares” of this circular.

- (2) the Company proposes to implement, subject to the approval of the Court, the financial restructuring of its overall indebtedness position, under which
- (i) all the Scheme Creditors' Claims against the Company of approximately HK\$692.4 million as of 30 November 2023 will be discharged in full on the date on which the Scheme of Arrangement becomes unconditional and comes into effect.
  - (ii) The Scheme Creditors, which have been admitted by the administrators of the Scheme or the adjudicator, will be entitled to the following in proportion to their admitted claims on a pro rata share of the funds that are to be made available for distribution to the Scheme Creditors:
    - (a) a total amount of HK\$10,000,000 from the net proceeds of the Subscription.
    - (b) a maximum of 82,055,358 new shares to be allotted and issued by the Company to the Scheme creditors after the Capital Reorganisation comes into effect.
    - (c) the Company will transfer the entire issued shares in City Joint, which in turn holds the Company's business in Dongguan, its oil business in the United States and its investments in Inner Mongolia, to the Scheme Company B and the Scheme Company B will control its equity shares and assets.

On 25 January 2024, over 50% in number of, and representing not less than 75% in value of the claims of, the creditors included in the Scheme Creditors voted in favor of the Scheme. The Scheme is subject to sanction by the High Court up to the date of this circular.

Details of the Scheme are set out in "3. Scheme of Arrangement" of this circular.

- (3) the Company is in the course of discussion with other parties to improve the commodities beneficiation and trading business undertaken by the Company's subsidiaries in the PRC.

## 6. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

### **Business Review**

The Group is principally engaged in commodity trading, oil exploration, refining, production and sale, as well as logistics and warehousing. The following set out business review in respect of two business segments of the Company: (i) commodities beneficiation and trading business; and (ii) logistics business.

### **Commodities Beneficiation and Trading Business**

The Group is currently focusing on iron ore as the primary commodity in its business. Following the lifting of the COVID-19 restrictions in the PRC in 2023 and the collaboration with the Subscriber, leveraging on the extensive industry experience and business network of the management and consultants of the Group, the Group has seized the market opportunity to spontaneously extend the business scope. The Group has continued its commodities trading business which naturally extended further downstream by placing more focus on the beneficiation and sales of iron ore fines. Under the commodities beneficiation and trading business, the Group is involved in both the process of beneficiating and upgrading low-grade iron ore material to high-grade iron ore fines and the sales of high-grade fines. It would, first of all, procure Brazilian crude iron ore 46% Fe or concentration fines 59% Fe; then beneficiate the material to fines 63% Fe or above through a process known as magnetic separation; and sell the fines to end buyers.

Given that the logistics cost is the utmost concern among the market players, the Group has devised a sound and tailor-made logistics solution to maximise its profits in each transaction. For the nine months ended 30 September 2023, the Group purchased 60,000 tonnes of crude iron ore 46% Fe and 40,000 tonnes of iron ore concentration fines 59% Fe from distributors, whose large ore-loading ships berthed at designated ports in Wuhu, Anhui Province, the PRC, which were subsequently delivered to the local processing plants, which located 11 miles from the ports, for the beneficiation process (typically involve processes of magnetisation roasting, magnetic separation, filtering and drying), and were eventually sold to the customers, which are also located in the same area.

Taking into consideration of (i) the locations of the processing plants and/or warehouses of the target customers of the Group; (ii) the transportation costs which are directly correlated to the volume of the low-grade iron ore products and iron ore fines; and (iii) the financial distress of the Group, the management of the Company is of the view that it is more reasonable and cost efficient to outsource the beneficiation and processing procedures to the local manufacturers and it is also the strategy of the Group to preserve flexibility for business development and customers diversification in other provinces in the PRC. As at the Latest Practicable Date, the Group entered into five framework agreements with the processing plants in five cities, including Rizhao, Maanshan, Qianan, Wuhu and Jinan, and two out of the five companies, which entered the framework agreements with the Group, had each entered actual confirmed orders with the Group. Considering the high volatility of the iron ore prices, it is common to enter into non-legally binding agreements and/or memorandums of understanding (“MOUs”) with the customers in the commodities industry. In addition, the signed agreements and/or MOUs has substantiated a strong customer bases of the Group and allow for a degree of flexibility to conduct transactions with potential customers who would provide a better offer. The Group can also sell on directly via various channels, such as Dalian Commodity Exchange and CMC Markets, which substantiates the genuine and strong demand for the high-grade iron ore products.

In January 2024, the Group has entered into a legally binding agreement and confirmed orders with three counterparties (all being Independent Third Parties) in relation to the beneficiation and trading of iron ore fines in the aggregate amount of 50,000 tonnes and 23,000 tonnes respectively, involving a transaction amount of approximately HK\$94.6 million, the performance of which have been recognised as revenue in January 2024 with the existing resources and funding of the Group without having to take into account the debt restructuring and the revolving loan agreed by the Subscriber to be made available to the Group.

The Group has established and maintained quality control standards and testing and inspection procedures. The Group provides regular training to the employees aiming to ensure effective application of its quality control procedures. The Group regularly performs checks and tests by taking samples of the low-grade iron ore products, to determine the suitability for the beneficiation of iron ore fines. Quality checks and testing are also performed at various stages during the beneficiation and processing procedures to ensure its quality for sale. Iron ore fines that do not meet the relevant quality requirements will be reprocessed which will thereafter be subject to the same quality checks and testing again.

The Group's customers are mainly distributors located in the PRC and the sales are mainly denominated in RMB. Most of the customers were granted a credit period of up to 15 days. Payments by the customers to the Group are all settled by bank transfer. The Group generally determines the selling price of the iron ore fines taking into account of the prevailing market price, the procurement costs and the beneficiation and processing costs. The Group regularly monitors the market prices of low-grade iron ore products to ensure the increase in such costs can be effectively transferred to the customers.

The Group's commodities beneficiation and trading business achieved sales of approximately HK\$0.85 million during the year ended 31 December 2022 (2021: approximately HK\$7.32 million).

### **Logistics Business**

The logistics business is mainly carried out by Qian'an Logistics, which was established as a regional logistics center for commodities in September 2012. Taking into consideration that, among others, the COVID-19 pandemic, which was force majeure and beyond the control of the Directors, covered the entire period that the management could effectively and efficiently build up the business size and profitability, the level of operation of the logistics business has been adversely affected.

Given the past track records, the well-built infrastructure and management expertise, the Group was highly regarded in and around the region it operates. The Group intends to jointly operate the warehouse with another PRC company or other stated-owned enterprise to get certification and approval again. For this reason, the Group possesses a competitive edge in terms of infrastructure quality and management expertise for its logistics and warehousing services. For the Company's business in Dongguan held by the Excluded Subsidiaries, it will be disposed of under the Scheme, after which the Realisation Proceeds will be distributed to the Scheme Creditors in accordance with the Scheme.

During the year ended 31 December 2022, the logistics business segment of the Group recorded a revenue of approximately HK\$4.70 million (2021: approximately HK\$4.48 million).

**FINANCIAL AND TRADING PROSPECTS**

The Board will continue to develop its commodities beneficiation and trading business and logistics business. Among others, the Group has entered into a mineral sales agreement in relation to the sale and purchase of iron ore. Such collaboration will secure the Group's iron ore pipeline, which will not only empower the Group with higher bargaining power in the market and attract other major market players to establish business relationship with the Group and to provide favourable commercial terms to the Group, but also enable the Group to diversify into the upstream market to become the principal distributor to (i) sell the high-grade iron ore products to steelmaking companies and/or sub-distributors; (ii) sell the low-grade iron ore tailings (which would require beneficiation prior to sale to end customers) to sub-distributors and/or processing plants; and (iii) process the low-grade iron ore tailings and sell to end customers. In general, the extension of business scope to engage in the process of beneficiation not only enriches the Group's market value in the supply chain, but also provides the Group with higher profit margin and more stable source of revenue while allowing the Group to potentially expand to the downstream customers (i.e. the steelmaking manufacturers), which are generally reputable and large-scale companies in the PRC. To further position for the challenge in the current year by enhancing the customer service, Qian'an Logistics is planning to expand its services to cover land transportation including loading services as well as provision of 24 hours online surveillance system accessible by customers in addition to the warehousing services.

**1. RESPONSIBILITY STATEMENT**

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

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Subscriber and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than that expressed by the sole director of the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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



## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation); and (iii) immediately after completion of the issue of the Subscription Shares and the Creditors' Shares in full (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the issue of the Subscription Shares and the Creditors' Shares) is set out as follows:

*(i) as at the Latest Practicable Date:*

Authorised capital:		HK\$
<u>20,000,000,000</u>	Shares	<u>2,000,000,000.00</u>
Issued and fully paid or credited as fully paid:		
<u>641,790,129</u>	Shares	<u>64,179,012.90</u>

*(ii) immediately after Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation):*

Authorised capital:		HK\$
<u>200,000,000,000</u>	New Shares	<u>2,000,000,000.00</u>
Issued and fully paid or credited as fully paid:		
<u>64,179,012</u>	New Shares	<u>64,179,012.12</u>

(iii) *immediately after completion of the issue of the Subscription Shares and the Creditors' Shares in full (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the issue of the Subscription Shares and the Creditors' Shares):*

Authorised capital:		HK\$
<u>200,000,000,000</u>	New Shares	<u>2,000,000,000.00</u>
Issued and fully paid or credited as fully paid:		
64,179,012	New Shares as at the Latest Practicable Date	641,790.12
146,820,480	Number of Subscription Shares to be issued	1,468,204.80
82,055,358	Maximum number of Creditors' Shares to be issued	820,553.58
<u>293,054,850</u>	New Shares upon completion of the Subscription and the issue of the Creditors' Shares	<u>2,930,548.50</u>

All of the Subscription Shares and Creditors' Shares to be issued will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Subscription Shares and Creditors' Shares. The Subscription Shares and Creditors' Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

The Company had not issued any Shares since 31 December 2022, being the date on which the latest audited financial statements of the Group were made up and up to the Latest Practicable Date.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Subscription Shares and Creditors' Shares. No part of the share capital or any other securities of the Company is or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Subscription Shares, the Creditors' Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

None of the Directors or proposed Directors or expert named in this circular will receive any commissions, discounts, brokerages or other special terms granted since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up in connection with the issue or sale of any capital of any member of the Group.

### **3. MARKET PRICES**

Trading in the Shares has been suspended since 24 May 2022 and hence no closing price of the Shares is available since then. The closing price of the Shares on the Last Trading Day was HK\$0.186 per Share as quoted on the Stock Exchange.

## 4. DISCLOSURE OF INTERESTS

## (a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions, of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules relating to securities transactions by Directors were as follows which were required to be disclosed under the Takeovers Code:

*Interests in the Shares and underlying shares of the Company*

Name of chief executive	Number of issued Shares and underlying shares held	Position	Percentage of issued share capital of the Company
Mr. Meng Fanpeng	48,000	Long	0.01

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules relating to securities transactions by Directors.

**(b) Substantial shareholders and other persons' interests in Shares and underlying Shares**

So far as is known to the Directors, as at the Latest Practicable Date, there is no person (other than the Directors and the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the issued share capital of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group:

*Interests in the Shares and underlying shares of the Company*

Name of Shareholder	Capacity	Number of		Percentage of the issued share capital of the Company
		issued shares held	Long/Short Position	
China Huarong Asset Management Co., Ltd.* <sup>(1)</sup>	Interest of controlled corporation	222,242,592	Long	34.63%
		170,372,822	Short	26.55%
Huarong Huaqiao Asset Management Co., Ltd.* <sup>(1)</sup>	Interest of controlled corporation	222,242,592	Long	34.63%
		170,372,822	Short	26.55%
Cai Jianjun <sup>(2)</sup>	Interest of spouse	1,000,000	Long	0.16%
	Interest of controlled corporation	170,372,822	Long	26.55%
China Yangtze River Petrochemical Group Limited <sup>(2)</sup>	Beneficial	170,372,822	Long	26.55%
Ms. Choi <sup>(3)</sup>	Beneficial	76,380	Long	0.012%
	Interest of controlled corporation	1,520,074,570	Long	236.85%
The Subscriber <sup>(3)</sup>	Beneficial	1,520,074,570	Long	236.85%

Name of Shareholder	Capacity	Number of		Percentage of the issued share capital of the Company
		issued shares held	Long/Short Position	
Tewoo Group Company Limited <sup>*(4)</sup>	Interest of controlled corporation	43,822,412	Long	6.83%
Tewoo Group (Hong Kong) Limited <sup>(4)</sup>	Interest of controlled corporation	43,822,412	Long	6.83%
Tianjin Binhai Huanneng Development Co., Ltd. <sup>*(4)</sup>	Interest of controlled corporation	43,822,412	Long	6.83%
Tianjin Rongxin Co., Ltd. <sup>*(4)</sup>	Interest of controlled corporation	43,822,412	Long	6.83%
Tewoo Import & Export Trading Co., Limited <sup>*(4)</sup>	Interest of controlled corporation	43,822,412	Long	6.83%
Tewoo Import & Export (HK) Limited <sup>(4)</sup>	Interest of controlled corporation	43,822,412	Long	6.83%
Xinya Global Limited <sup>(4)</sup>	Beneficial	43,822,412	Long	6.83%
Mak Chi Yeung	Beneficial	36,000,000	Long	5.61%

*Notes:*

- (1) China Huarong Asset Management Co., Ltd. (stock code: 2799) beneficially holds (i) 170,372,822 Shares through its indirect non wholly-owned subsidiary, Huarong Investment, which is in turn 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; and (ii) 51,869,770 Shares through Oriental Express, which is wholly-owned by Pure Virtue Enterprises Limited. Apart from Huarong Investment and Oriental Express which have actual interests, all of the companies are deemed to have interest in the 222,242,592 Shares.

- (2) China Yangtze River Petrochemical Group Limited is a grantor to a put option whereby it is under an obligation to purchase 170,372,822 Shares. China Yangtze River Petrochemical Group Limited also has a right of first refusal to these 170,372,822 Shares. Mr. Cai Jianjun (a) has interest in these 170,372,822 Shares through his directly wholly-owned company, China Yangtze River Petrochemical Group Limited; and (b) is deemed to have interest in 1,000,000 Shares which are held by his spouse, Ms. Yuan Jing. Ms. Yuan Jing is also deemed to have interest in the Shares held by China Yangtze River Petrochemical Group Limited by being the spouse of Mr. Cai Jianjun.
- (3) Ms. Choi (a) personally holds 76,380 Existing Shares; and (b) is interested in 51,869,770 Existing Shares and 146,820,480 New Shares (pursuant to the Subscription) through her wholly-owned controlled corporation, the Subscriber.
- (4) 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).

\* *The English transliteration of the Chinese names of these companies are for reference purposes only.*

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or a proposed Director was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

<b>Name of Director</b>	<b>Term of the contract</b>	<b>Amount of remuneration</b>
Mr. Chu Kin Wang Peleus	1 year from 11 September 2023	Fixed remuneration of HK\$240,000 per annum with no variable remuneration
Ms. Ang Mei Lee Mary	1 year from 14 December 2023	Fixed remuneration of HK\$240,000 per annum with no variable remuneration
Mr. Lam Tin Faat (in relation to his resignation from an independent non-executive Director to an executive Director with effect from 11 December 2023)	1 year from 11 December 2023	HK\$600,000 per annum plus a discretionary bonus subject to the recommendation of the remuneration committee of the Company and approval of the Board



**6. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY**

The Subscriber has confirmed that as at the Latest Practicable Date, none of the Subscriber, Ms. Choi and parties acting in concert with any of them:

- (a) save as the beneficial interest in 51,946,150 Existing Shares and the Subscription 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;
- (b) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the Relevant Period (save for the Subscription Agreement);
- (c) will make any acquisitions or disposals of voting rights in the Company in the period between the date of this circular and allotment and issue of the Subscription Shares;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities of the Company or of the Subscriber which might be material to the Subscription, and/or the Whitewash Waiver;
- (e) 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 and/or the Whitewash Waiver;
- (f) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolutions approving the Subscription and/or the Whitewash Waiver at the SGM;

- (g) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) has dealt in any securities of the Company during the Relevant Period; or
- (i) has entered into any derivative in respect of the securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (a) save as disclosed in the paragraph headed “Lock-up arrangement for the Subscription Shares” under the section headed “2. Subscription of New Shares” in the letter from the Board, there was 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 and the Whitewash Waiver;
- (b) save for the Special Deal, there was 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;
- (c) save for the Special Deal, there was no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, its ultimate beneficial owner and parties acting in concert with any one of them on the one hand and the Company and any party acting in concert with it on the other hand;
- (d) there was 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;

- (e) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Subscription, and/or the Whitewash Waiver or otherwise connected therewith;
- (f) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) any of the Subscriber, its ultimate beneficial owner and parties acting in concert with any one of them; and (ii) any other persons, in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to the Subscriber under the Subscription;
- (g) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Subscription and the Whitewash Waiver;
- (h) none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (i) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of the Subscriber;
- (j) there was no shareholding in the Company which the Company or the Directors has/have borrowed or lent, and there were no dealings in the Shares or other securities of the Company by any person which the Company or the Directors has/have borrowed or lent the Shares or other securities in the Company during the Relevant Period;

- (k) save as disclosed in the section headed “2. Subscription of New Shares” in the letter from the Board, none of the Subscriber, its concert parties and the director of the Subscriber was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, the Subscriber, its concert parties and the director of the Subscriber had not dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (l) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (m) none of the Directors was interested in any Shares, securities which carry voting rights in the Company, or any convertible securities, warrants, options, or derivatives in respect of the Shares or in respect of other securities which carry voting rights in the Company;
- (n) save as disclosed in the section headed “9. Material Contracts” in this appendix, there was no material contract entered into by the Subscriber, Ms. Choi or any person acting in concert with any of them in which any Director had a material personal interest;
- (o) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code; and

- (p) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company.

## 7. LITIGATION

On 18 August 2023, the Company received the Petition against the Company filed by the Petitioner at the High Court in relation to an indebted sum of approximately HK\$65.6 million. At the adjourned hearing for the Petition on 13 December 2023, the High Court has ordered the hearing for the Petition be further adjourned to 7 February 2024.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

The above expert has given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter, report and/or references to their name in the form and context in which they respective appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the equity transfer agreement entered into between Tianjin Huiliyuan International Trading Co., Ltd. (天津匯力源國際貿易有限公司, “**Huiliyuan**”) and Boshu (Shanghai) Trading Company Limited (博屬(上海)貿易有限公司, an indirectly wholly-owned subsidiary of the Company) dated 19 April 2022 in relation to the transfer of the 23.396% of the equity interest in Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company (內蒙古亞歐大陸橋物流有限責任公司, “**Inner Mongolia**”) at the consideration of RMB1,000,000, subject to the completion of the capitalisation of the debt owed to Huiliyuan and another creditor by Inner Mongolia for the capital contribution of RMB95,647,400 to Inner Mongolia;

- (b) the Subscription Agreement; and
- (c) the facility letter entered into between the Subscriber and the Company dated 30 October 2023 in relation to an unsecured loan facility in the sum of up to HK\$100,000,000 for the purpose of general working capital of the Group.

#### 10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Chiu Yuk Ching, who is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute.
- (b) The principal member of the Subscriber's concert group is Ms. Choi, the sole director of the Subscriber. The registered address of the Subscriber and the correspondence address of Ms. Choi is at Rooms 2409 and 2411, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong.
- (d) The Independent Financial Adviser is Altus Capital and its registered office is situated at 21 Wing Wo Street, Central, Hong Kong.
- (e) The English text of this circular shall prevail over Chinese text in case of any inconsistency.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be available on the websites of the Company (<http://www.silkroadlogistics.com.hk>), the SFC (<http://www.sfc.hk>) and the Stock Exchange (<http://www.hkexnews.hk>) between the period from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the articles of association of the Subscriber;
- (c) the letter from the Board, the text of which is set out on pages 13 to 50 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;
- (e) the letter from Altus Capital, the text of which is set out on pages 53 to 101 of this circular;
- (f) the annual reports of the Company for each of the financial years ended 31 December 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023;
- (g) the written consent referred to in the paragraph headed "8. Expert and consent" in this appendix;
- (h) the material contracts as referred to in the paragraph headed "9. Material contracts" in this appendix;
- (i) the service contracts as referred to in the section headed "5. Directors' Service Contract" in this appendix; and
- (j) this circular.



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## NOTICE OF SGM

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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)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Silk Road Logistics Holdings Limited (the “**Company**”) will be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 1 March 2024 at 10:30 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 8 February 2024 (the “**Circular**”)):

#### SPECIAL RESOLUTIONS

1. “**THAT** subject to and conditional upon (i) the compliance with the relevant procedures and requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended) to effect the Capital Reorganisation (as defined below); (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting and not having withdrawn or revoked its approval for the listing of, and permission to deal in, the New Shares (as defined below); (iii) the Scheme (as defined below) having become unconditional; and (iv) the compliance with the relevant procedures and requirements under the applicable laws of Bermuda and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to effect the Capital Reorganisation (as defined below); and with effect from the second business day immediately following the date on which the above conditions are fulfilled (the “**Capital Reorganisation Effective Date**”):
  - (a) every ten (10) issued and unissued ordinary shares of par value of HK\$0.1 each in the share capital of the Company be consolidated into one (1) ordinary share of par value of HK\$1.00 (the “**Consolidated Shares**”) (the “**Share Consolidation**”);

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- (b) the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation be and is hereby rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation (the “**Rounding**”);
- (c) the issued and paid-up share capital of the Company be reduced from an amount of HK\$64,179,012.90 by an amount of HK\$63,537,222.7800 to an amount of HK\$641,790.1200 by (i) eliminating any fraction of a Consolidated Share arising from the Share Consolidation in order to round down the total number of the Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of the then issued Consolidated Shares so that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 and each issued Consolidated Share will be treated as one (1) fully paid-up share of par value HK\$0.01 each in the share capital of the Company (each such reduced ordinary share, a “**New Share**”) (together with the Rounding, the “**Capital Reduction**”);
- (d) each of the then authorised but unissued Consolidated Share of par value of HK\$1.00 each be subdivided into one hundred (100) New Shares of par value of HK\$0.01 each (the “**Share Subdivision**”) so that immediately following the Share Consolidation, the Capital Reduction and the Share Subdivision, the authorised share capital of the Company shall become HK\$2,000,000,000.00 divided into 200,000,000,000 New Shares;
- (e) the New Shares shall rank *pari passu* in all respects with each other and have such rights and subject to such restrictions as set out in the memorandum of association and bye-laws of the Company;
- (f) the credits arising from the Capital Reduction be entirely transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (as amended) (the “**Contributed Surplus Account**”) and the board (the “**Board**”) of directors of the Company (the “**Directors**”) or a committee thereof be and are hereby authorised to use the amount then standing to the credit of the Contributed Surplus Account to eliminate or set off the accumulated losses of the Company as at the Capital Reorganisation Effective Date and/or to eliminate or set off the accumulated losses of the Company

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which may arise from time to time and/or to pay dividend and/or to make any other distribution out of the Contributed Surplus Account from time to time without further authorisation from the shareholders of the Company and/or to use the credit in such other manner as may be permitted under the bye-laws of the Company in effect from time to time and all applicable laws without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, ratified and confirmed;

- (g) fractional Consolidated Shares will not be issued to holders of the same but all such fractional Consolidated Shares shall be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the Directors may think fit;
- (h) the entire amount standing to the credit of the share premium account of the Company as at the Capital Reorganisation Effective Date be and is hereby reduced to nil (the “**Share Premium Cancellation**”);
- (i) the credits arising from the Share Premium Cancellation be entirely transferred to the Contributed Surplus Account and the Board or a committee thereof be and are hereby authorised to use the amount then standing to the credit of the Contributed Surplus Account to eliminate or set off the accumulated losses of the Company as at the Capital Reorganisation Effective Date and/or to eliminate or set off the accumulated losses of the Company which may arise from time to time and/or to pay dividend and/or to make any other distribution out of the Contributed Surplus Account from time to time without further authorisation from the shareholders of the Company and/or to use the credit in such other manner as may be permitted under the bye-laws of the Company in effect from time to time and all applicable laws without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, ratified and confirmed; and

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- (j) the Directors and each of them be and are fully authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute any documents which he/she/they in his/her/their absolute discretion consider necessary, desirable, expedient or appropriate to effect and implement this resolution and to exercise such discretion in connection, relating to or arising from the Share Consolidation, the Capital Reduction, the Share Subdivision and the Share Premium Cancellation (collectively, the “**Capital Reorganisation**”) and/or the respective transactions contemplated herein, with such modifications thereto (if any) as he/she/they may from time to time consider necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Capital Reorganisation.”

2. “**THAT**

- (a) subject to (i) the Ordinary Resolution no. 3 set out in this notice being passed; and (ii) the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) (the “**Executive**”) and the satisfaction of any conditions attached thereto, the terms of the application for a waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive to the Subscriber (as defined below) pursuant to Note 1 on the Dispensations from Rule 26 of the Code on Takeovers and Mergers (the “**Takeovers Code**”) from an obligation to make a general mandatory offer to the shareholders of the Company in respect of all the shares and the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it as a result of the Subscription (as defined below) be and are hereby approved, confirmed and ratified; and
- (b) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

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### ORDINARY RESOLUTIONS

3. **“THAT**

- (a) the conditional subscription agreement (the **“Subscription Agreement”**) dated 9 October 2023 (a copy of which is produced to the Meeting marked **“A”** and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company as issuer and Yick Chuen Credit Limited (the **“Subscriber”**) as subscriber in relation to the subscription of 146,820,480 New Shares (the **“Subscription Shares”**) by the Subscriber (the **“Subscription”**) at the total consideration of HK\$50,000,000 (representing approximately HK\$0.341 per New Share) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to 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 all of the Subscription Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement; and
- (c) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Subscription Agreement and the transactions contemplated thereunder.”

4. **“THAT**

- (a) the scheme of arrangement (the **“Scheme”**) material particulars whereof are disclosed in the scheme of arrangement document of the Company dated 2 January 2024 (details of the major terms of the Scheme are set out in the section headed **“Letter from the Board — The Scheme”** in the Circular), which are to be proposed and effected as a scheme under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), be and are hereby approved, confirmed and ratified, subject to any modification thereof or addition thereof approved or imposed by the Hong Kong High Court (if any);

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- (b) the proposed payment of HK\$10,000,000 in cash to the creditors on a pro-rata basis in accordance with the terms of the Scheme, funded from the net proceeds of the Subscription Shares under Resolution no. 3 be and is hereby approved;
- (c) the proposed allotment and issue of up to 82,055,358 New Shares (the “**Creditors’ Shares**”) on the basis of 1 New Share for every HK\$8.33 in the amount of claims from the creditors in accordance with the terms of the Scheme be and is hereby approved;
- (d) subject to due compliance with all applicable laws and regulations (including the Listing Rules if applicable), the proposed disposal of the entire issued shares in City Joint Investments Limited to a company to be incorporated in Hong Kong with limited liability which is to be held and controlled by the Scheme administrators in accordance with the terms of the Scheme be and is hereby approved;
- (e) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Creditors’ Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Creditors’ Shares in accordance with the terms of the Scheme; and
- (f) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Schemes and the transactions contemplated thereunder.”

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5. **“THAT**
- (a) subject to (i) the Ordinary Resolution no. 4 set out in this notice being passed; and (ii) the granting of the consent to the Special Deal (as defined below) by the Executive and the satisfaction of any conditions attached thereto, the settlement of the indebtedness (the **“Special Deal”**) due to creditors (including any parties acting in concert (as defined under the Takeovers Code) with any of them) who are also shareholders of the Company, including the Subscriber, Xinya Global Limited, Mr. Cai Jianjun, China Yangtze River Petrochemical Group Limited and Oriental Express Investment Holdings Limited, under the Scheme, which constitutes a special deal under Rule 25 of the Takeovers Code, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Special Deal and the transactions contemplated thereunder.”

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

Hong Kong, 8 February 2024

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Room 1702, 17/F.  
COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

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2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the Company's branch registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the general meeting or any adjournment or postponement thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the general meeting or any adjournment or postponement thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.
3. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 26 February 2024.
4. In the case of joint holders of shares, any one of such holders may vote at the general meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. The register of members of the Company will be closed from Tuesday, 27 February 2024 to Friday, 1 March 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the SGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 February 2024.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the general meeting, the meeting will be adjourned, changed or postponed in accordance with the bye-laws of the Company. The Company will publish an announcement on the website of the Company at <http://www.silkroadlogistics.com.hk> and on the Stock Exchange website at <http://www.hkexnews.hk/> to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
7. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the general meeting of the Company and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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