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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)**

**MAJOR TRANSACTION:  
DRAG-ALONG RIGHT FOR DISPOSAL OF  
29.95% EQUITY INTEREST IN ROCKEAST**

**THE DRAG-ALONG RIGHT**

The Company announced that a Drag-along Right was granted by the Group pursuant to 2015 RockEast Shareholders' Agreement, the transaction will be classified as if the Drag-along Right has been exercised by RockEast Majority Shareholders. Subsequent to 2015 RockEast Shareholders' Agreement, RockEast and various then RockEast Shareholders (excluding Useful Light) entered into 2016 RockEast Shareholders' Agreement in October 2016 to supersede 2015 RockEast Shareholders' Agreement. Consequently, 2016 RockEast Shareholders' Agreement is also binding on Useful Light, despite Useful Light not having executed 2016 RockEast Shareholders' Agreement.

According to 2016 RockEast Shareholders' Agreement, if there is a Possible Offer to purchase the equity interest in RockEast in full or in part and the RockEast Majority Shareholders desire to sell all, but not less than all, of their RockEast Shares to the third party purchaser, the RockEast Majority Shareholders shall have the right, to require the remaining RockEast Shareholders (including Useful Light) to accept the offer subject to and upon the same terms and conditions of the offer by delivering the Majority Transfer Notice to the remaining RockEast Shareholders setting out the terms and conditions of the Possible Offer.

If Useful Light fails to respond to the Majority Transfer Notice within 15 days upon receipt of the said notice, the RockEast Majority Shareholders are entitled to exercise the Drag-along Right. Accordingly, once the RockEast Majority Shareholders have exercised the Drag-along Right and delivered the Drag-along Notice to Useful Light, it will consequently lead to the disposal of the Sale Interest held by Useful Light in any event. Upon completion of the disposal of the Sale Interest by Useful Light, the Company will no longer have any interest in RockEast and RockEast will cease to be an associate of the Company.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 14.73 of the Listing Rules, the Drag-along Right provided by the Company will be treated as a transaction and classified by reference to the percentage ratios.

Pursuant to Rule 14.76(1) of the Listing Rules, where the actual monetary value has not been determined, the listed issuer must demonstrate the highest possible monetary value, which value will then be used for the purpose of classification of notifiable transaction. Failure to do so will result in the transaction being classified as at least a major transaction. Hence, the Drag-along Right is required to be classified as a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the requirement of reporting, announcement, circular and approval of the Shareholders.

## **THE SGM**

The SGM will be convened to consider and, if thought fit, approve and ratify the Drag-along Right.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Drag-along Right. Accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve and ratify the Drag-along Right at the SGM.

## **GENERAL**

A circular containing, among other matters, further information regarding details of the Drag-along Right, other information as required under the Listing Rules, and the notice of the SGM, is expected to be despatched to the Shareholders on or before 30 April 2021, as additional time is required to prepare the aforesaid information for inclusion in the circular.

There is no assurance that the Company will proceed with the disposal. Whether and when the Company will proceed with the disposal will depend on whether the RockEast Majority Shareholders exercise their Drag-along Right requiring the Group to dispose the Sale Interest in full. The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

## **THE DRAG-ALONG RIGHT**

### **Background**

As disclosed in the announcements of the Company dated 6 August 2015 and 12 August 2015 respectively, the Group completed the Previous Acquisition in August 2015, being the acquisition of the entire equity interest in Kai Sum International Limited, which in turn held the entire equity interest in Useful Light, which in turn held 30% of the then equity interest in RockEast. In the Previous Acquisition, the relevant percentage ratios under the Listing Rules in respect of the Previous Acquisition are more than 5% but less than 25%, the Previous Acquisition constitutes a discloseable transaction on the part of the Company.

Prior to the Previous Acquisition, Useful Light had entered into 2015 RockEast Shareholders' Agreement in July 2015. Pursuant to 2015 RockEast Shareholders' Agreement, the Drag-along Right was provided therein. According to 2015 RockEast Shareholders' Agreement, if there is an offer to purchase the equity interest in RockEast and the then RockEast Shareholders holding in aggregate 66.6% or more of the equity interest in RockEast agree to accept the offer, those accepting RockEast Shareholders shall have the Drag-along Right to request the remaining RockEast Shareholders (including Useful Light) to accept the offer made by the third party purchaser(s) subject to and upon the same terms and conditions of the offer. According to 2015 RockEast Shareholders' Agreement, within 30 days upon receipt of a drag-along notice issued by RockEast on behalf of those accepting RockEast Shareholders, Useful Light is required to either accept the offer or make a counter-offer on the same terms and conditions as the offer to acquire the equity interest from those RockEast Shareholders.

2015 RockEast Shareholders' Agreement provides that with the prior written approval of the then RockEast Shareholders holding in aggregate 66.6% or more of the equity interest in RockEast, amendments could be made to 2015 RockEast Shareholders' Agreement. Such amendments should bind all the RockEast Shareholders from time to time once approved by the then RockEast Shareholders holding in aggregate 66.6% or more of the equity interest in RockEast. Subsequent to 2015 RockEast Shareholders' Agreement, RockEast and various then RockEast Shareholders (excluding Useful Light) entered into 2016 RockEast Shareholders' Agreement in October 2016 to supersede 2015 RockEast Shareholders' Agreement. Consequently, 2016 RockEast Shareholders' Agreement is also binding on Useful Light, despite Useful Light not having executed 2016 RockEast Shareholders' Agreement.

### **Obligation to sell**

According to 2016 RockEast Shareholders' Agreement, RockEast Majority Shareholders were granted a Drag-along Right, pursuant to which, if there is a Possible Offer to purchase the equity interest in RockEast in full or in part and the RockEast Majority Shareholders desire to sell all, but not less than all, of their RockEast Shares to the third party purchaser, the RockEast Majority Shareholders shall have the right, to require the remaining RockEast Shareholders (including Useful Light) to accept the offer subject to and upon the same terms and conditions of the offer by delivering a written notice (the "**Majority Transfer Notice**") to the remaining RockEast Shareholders setting out the terms and conditions of the Possible Offer. According to 2016 RockEast Shareholders' Agreement, within 15 days upon receipt of the Majority Transfer Notice, Useful Light is required to either accept the Possible Offer or make a counter-offer on the same terms and conditions as the Possible Offer to acquire the equity interest of the RockEast Majority Shareholders.

If Useful Light fails to respond to the Majority Transfer Notice within 15 days upon receipt of the said notice, the RockEast Majority Shareholders are entitled to exercise the Drag-along Right, it shall together with the Majority Transfer Notice, give the Drag-along Notice to the remaining RockEast Shareholders stating the RockEast Majority Shareholders are exercising Drag-along Right in connection with the Possible Offer. Such Drag-along Notice shall be delivered to the remaining RockEast Shareholders no less than 10 business days before closing of the Possible Offer. Each of the remaining RockEast Shareholders is obliged to take all necessary action to dispose of all the RockEast Shares subject to the Drag-along Notice. Following receipt of the Drag-along Notice, if any of the remaining RockEast Shareholders refuses to comply with the terms and conditions of the drag-along provision in 2016 Shareholders Agreement, the person delegated by the RockEast Majority Shareholders shall act as the attorney of the defaulted remaining RockEast Shareholders to sign the necessary transfer document to effect the disposal.

Accordingly, once the RockEast Majority Shareholders have exercised the Drag-along Right and delivered the Drag-along Notice to Useful Light, it will consequently lead to the disposal of the Sale Interest held by Useful Light in any event. Upon completion of the disposal of the Sale Interest by Useful Light, the Company will no longer have any interest in RockEast and RockEast will cease to be an associate of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 14.73 of the Listing Rules, the Drag-along Right provided by the Company will be treated as a transaction and classified by reference to the percentage ratios. At the material times of the Previous Acquisition in August 2015, if the Company has treated the disposal under the Drag-along Right as a transaction, the same would have been classified as discloseable transaction on the part of the Company by reference to the then relevant percentage ratios, i.e. the percentage ratios were more than 5% but less than 25%. Such percentage ratios were arrived at by using the average forecasted West Texas Intermediate (WTI) oil price in 2016 and 2017, where there was about 17.7% increase in the WTI oil price as compared to the WTI oil price at the material time of the Previous Acquisition.

The Company predicted the highest possible monetary value for the disposal under the Drag-along Right would be about 17.7% increase from the consideration payable under the Previous Acquisition. The Directors considered the forecasted WTI oil price in 2016 and 2017 would be the possible highest oil price and the oil price is unlikely to surge further. The historical figures of the WTI oil prices from 2015 up to the date of this announcement also support the Company's prediction. Based on the highest possible monetary value for the disposal and the financial figures of the Company as at the material time of the Previous Acquisition, the disposal under the Drag-along Right as a transaction would have been classified as discloseable transaction on the part of the Company. The Company did not disclose the Drag-along Right by way of announcement during the material times of the Previous Acquisition.

2015 RockEast Shareholders' Agreement was entered into before the Group acquired Useful Light. Hence, the entry of 2015 RockEast Shareholders' Agreement was not at the control or discretion of the Group. Useful Light did even not sign 2016 RockEast Shareholders' Agreement but it is bound by the Drag-along Right contemplated under 2016 RockEast Shareholders' Agreement.

Pursuant to Rule 14.76(1) of the Listing Rules, where the actual monetary value has not been determined, the listed issuer must demonstrate the highest possible monetary value, which value will then be used for the purpose of classification of notifiable transaction. Failure to do so will result in the transaction being classified as at least a major transaction. Given that the consideration of the disposal of the Sale Interest held by Useful Light cannot be determined, the Drag-along Right is required to be classified as a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the requirement of reporting, announcement, circular and approval of the Shareholders.

Based on the financial information of RockEast, as at 31 December 2019, the net asset of RockEast was approximately CAD30,775,000 (equivalent to approximately HK\$184,648,000). As disclosed in the annual report of the Company for the year ended 31 December 2019, the carrying amount of all the RockEast Shares held by the Group was approximately HK\$215 million. Such carrying amount was based on the fair value of RockEast with reference to the reserves and resources of the oil mine owned by RockEast. The reserves and resources of the oil mine will diminish as the exploration carrying on in the oil mine. Hence, the Directors believe that the carrying amount of the RockEast Shares in the annual report of the Company for the year ended 31 December 2019 represents the highest possible monetary value of the Sale Interest. Hence, if the Drag-along Right is exercised as at the date of this announcement, based on the highest possible monetary value of the Sale Interest, the Drag-along Right will be classified as a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the requirement of reporting, announcement, circular and approval of the Shareholders.

## **INFORMATION OF ROCKEAST**

RockEast is a company incorporated in Alberta, Canada with limited liability and principally engaged in the exploration and production of oil and natural gas in Canada. As at the date of this announcement, RockEast is owned as to approximately 29.95% by Useful Light and in aggregate approximately 70.05% by Independent Third Parties, consisting of corporations and individuals.

Set out below is the audited consolidated financial information of RockEast by BDO Canada LLP for the two years ended 31 December 2018 and 2019 respectively:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>
	(audited)	(audited)
	<i>CAD'000</i>	<i>CAD'000</i>
Revenue	22,840	12,944
Profit/(loss) before tax	5,329	1,150
Profit/(loss) after tax	4,362	828

The unaudited net asset value of RockEast as at 30 June 2020 was approximately CAD28,692,000.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company. The Group is principally engaged in the trading of commodities, the exploration, production and sale of oil, and the provision of logistics and warehousing services.

Useful Light is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. Useful Light is principally engaged in investment holding.

## **REASONS FOR AND THE BENEFITS OF THE DRAG-ALONG RIGHT**

According to 2016 RockEast Shareholders' Agreement, if there is an offer to purchase the equity interest in RockEast and the RockEast Majority Shareholders agree to accept the offer, the RockEast Majority Shareholders shall have the Drag-along Right to request the remaining RockEast Shareholders (including Useful Light) to accept an offer made by third party purchaser subject to and upon the same terms and conditions of the offer. According to 2016 RockEast Shareholders' Agreement, within 15 days upon receipt of the Majority Transfer Notice, Useful Light is required to either accept the offer or make a counter-offer on the same terms and conditions as the offer to acquire the equity interest of the RockEast Majority Shareholders. The Group would be obliged to dispose of the Sale Interest promptly, in the event the RockEast Majority Shareholders exercise the Drag-along Right.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the auditors of the Company disclaimed their audit opinion on the consolidated financial statements as they casted doubt on the appropriateness of going concern assumption of the Company. As disclosed in the 2019 annual report, the current liabilities of the Group at 31 December 2019 exceeded the Group's current assets at that date by approximately HK\$433,195,000 and the Group incurred net loss of approximately HK\$378,812,000 for the year ended 31 December 2019.

As disclosed in the interim report of the Company for the six months ended 30 June 2020, chaos struck the oil market when the pandemic crippled oil demand amid an ongoing price war between the Organization of the Petroleum Exporting Countries (OPEC) and Russia. The oil price dipped to historically low levels with near-term oil contracts turning negative in April 2020, before it stabilised to a level around US\$40. RockEast recorded a loss of approximately HK\$3,386,000. The Directors have explored possible way to improve the financial position of the Group, including but not limited to the disposal of its equity interest in RockEast.

The COVID-19 pandemic has had a more negative impact on the world economy in the first half of 2020 than anticipated. The pandemic has deepened two crucial trends in the economic landscape – more digital and less global. “More digital” covers all areas ranging from government and corporate expenditure to individual consumption. The economy has become further digitalised with flourishing new business models such as working from home, online education and intelligent construction. “Less global” means the move towards de-globalisation in the post-pandemic world, in which countries loosen their ties with trading partners and become more self-reliant. In light of the above trends, the Group aims to provide its clients a higher visibility of their supply chains for forecasting, planning, manufacturing and distribution operations. The Group will take advantage of the many innovations being pioneered in China in the areas of Internet of Things (IoT) and big data, which allow the logistics industry to improve efficiency and costs in a significant way. Hence, a more domestically focused Chinese economy will present new opportunities in raw material trade for the Group to diversify its revenue stream and business portfolio.

As a whole, considering the aforesaid factors regarding the business prospect of the oil industry in North America, RockEast's recent financial performance and the post-pandemic business development and prospects of the Group, the Directors believe that the disposal of the Sale Interest pursuant to the Drag-along Right provides an exit opportunity to the Group to realise its investment in RockEast, to improve the financial position of the Group, and to allow the Group to reallocate its resources.

Taking into account the abovementioned factors, the Directors are of the view that the Drag-along Right is on normal commercial terms; and consider that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## **USE OF PROCEEDS**

The net proceeds from the disposal of the Sale Interest pursuant to the Drag-along Right will be used for general working capital of the Group.

## **FINANCIAL EFFECT OF THE DISPOSAL PURSUANT TO THE DRAG-ALONG RIGHT**

The actual gain or loss as a result of the disposal to be recorded by the Group is subject to the financial position of RockEast at completion of the disposal.

## **THE SGM**

The SGM will be convened to consider and, if thought fit, approve and ratify the Drag-along Right.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Drag-along Right. Accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve and ratify the Drag-along Right at the SGM.

## **GENERAL**

A circular containing, among other matters, further information regarding details of the Drag-along Right, other information as required under the Listing Rules, and the notice of the SGM, is expected to be despatched to the Shareholders on or before 30 April 2021, as additional time is required to prepare the aforesaid information for inclusion in the circular.

There is no assurance that the Company will proceed with the disposal. Whether and when the Company will proceed with the disposal will depend on whether the RockEast Majority Shareholders exercise their Drag-along Right requiring the Group to dispose the Sale Interest in full. The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

“2015 RockEast Shareholders’ Agreement”	the shareholders’ agreement dated 22 July 2015 and entered into among, RockEast and all the then RockEast Shareholders (including Useful Light) to regulate their relationship and to record their respective rights and obligations as shareholders of RockEast
“2016 RockEast Shareholders’ Agreement”	the shareholders’ agreement dated 31 October 2016 and entered into among RockEast and a group of the then RockEast Shareholders (excluding Useful Light) holding 66.6% or more of the equity interest in RockEast, to regulate their relationship and to record their respective rights and obligations as shareholders of RockEast
“Board”	the board of Directors
“Company”	Silk Road Logistics Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 988)
“Director(s)”	the director(s) of the Company
“Drag-along Notice”	a written notice given by the accepting RockEast Majority Shareholders to the remaining RockEast Shareholders requiring them to accept any Possible Offer subject to and upon the same terms and conditions of the Possible Offer
“Drag-along Right”	the right of the accepting RockEast Majority Shareholders to require the remaining RockEast Shareholders (including Useful Light) to accept the offer made by third party purchaser(s) subject to and upon the same terms and conditions of the Possible Offer

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her/its ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons (within the meaning of the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Offer”	an offer, if any, to be given by a third party purchaser to purchase all the issued RockEast Shares in full or in part
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Acquisition”	the acquisition of the entire equity interest in Kai Sum International Limited in August 2015, which in turn held the equity interest in Useful Light, which in turn held 30% of the then equity interest in RockEast, and disclosed in the announcements of the Company dated 6 August 2015 and 12 August 2015 respectively
“RockEast”	RockEast Energy Corporation, a company incorporated in Alberta, Canada with limited liability, which is owned as to approximately 29.95% by Useful Light and an associate of the Company as at the date of this announcement
“RockEast Share(s)”	class A voting common share(s) in RockEast
“RockEast Shareholders”	the holder of RockEast Shares

“RockEast Majority Shareholders”	a group of shareholders of RockEast, other than Useful Light, holding in aggregate 60% or more of the equity interest in RockEast
“Sale Interest”	9,406,500 RockEast Shares, representing approximately 29.95% equity interest in RockEast as at the date of this announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held and convened to consider and, if thought fit, approve and ratify the Drag-along Right at the SGM
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Useful Light”	Useful Light Group Ltd., a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company
“WTI”	West Texas Intermediate
“CAD”	Canadian dollars, the lawful currency of Canada
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

By order of the Board  
**Silk Road Logistics Holdings Limited**  
**Meng Fanpeng**  
*Executive Director*

Hong Kong, 4 March 2021

*For the purposes of illustration only, amounts denominated in CAD in this announcement have been translated into HK\$ at the rate of CAD1.00 = HK\$6.00. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

*As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Wong Kai Ling, Ms. Yang Yi and Mr. Meng Fanpeng; one non-executive Director, namely Mr. Qin Bo; and four independent non-executive Directors, namely Ms. Choy So Yuk, Mr. Wu Zhao, Mr. Zou Mingwu and Mr. Wong Chun Hung.*