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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution 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(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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) CONNECTED TRANSACTION – LOAN AGREEMENT;
(2) RE-ELECTION OF RETIRING DIRECTORS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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

Nuada Limited

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Loan Agreement and the transactions contemplated thereunder is set out on page 18 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder is set out on pages 19 to 37 of this circular.

A notice convening the SGM of the Company to be held at Former Taihe Factory, Dongtai Village, Machong Town, Dongguan City, Guangdong Province, People's Republic of China (transliteration of 中國廣東東莞市麻涌鎮東太村太和建材廠舊址) at 11:00 a.m. on Tuesday, 19 April 2022 or any adjourned meeting hereof to approve matters referred to in this circular, is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.silkroadlogistics.com.hk.

Whether or not you are able to attend the SGM in person, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. before 11:00 a.m. on Sunday, 17 April 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

18 March 2022

PRECAUTIONARY MEASURES AT THE SGM

The health of the Shareholders, staff and stakeholders is of paramount importance to the Company. In view of the spreading of the Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to safeguard the health and safety of attending Shareholders and/or their proxies, staff and stakeholders from the risk of infection:

- (1) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at the entrance of the meeting venue. Any person with a body temperature of 37.4 degrees Celsius or above will be denied entry into the meeting venue or be required to leave the meeting venue.
- (2) Every attendee will be required to wear a surgical face mask throughout the SGM and sit at a safe distance from other attendees and those not wearing face masks may be denied entry to the meeting venue. Please note that no masks will be provided at the SGM and attendees should bring and wear their own masks.
- (3) No drinks, refreshment or souvenirs will be served.
- (4) Any attendee who has any flu-like symptoms or is subject to any PRC Government prescribed quarantine or has close contact with any person under quarantine will be denied entry into the meeting venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders are recommended to appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person, by completing and return the form of proxy. The form of proxy for use at the SGM can be downloaded from the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.silkroadlogistics.com.hk). Appointing a proxy will not preclude Shareholders from viewing and listening to the SGM through a live webcast by visiting <https://voovmeeting.com/dm/tfPrNmGGHRX6> on a computer, tablet or any browser enabled device or entering the meeting ID 870-087-129 on a device installed with the relevant app. Shareholders will be able to access the live webcast at the start of the SGM until its conclusion, and may raise questions during the SGM through the live webcast.

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DEFINITIONS

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

| | |
|-----------------------|---|
| “Assignor” | Shanghai Industrial Commodities Trading Limited, a company incorporated in Hong Kong and the entire issued share capital of which is owned by the Subject Company |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Boshu (Shanghai)” | Boshu (Shanghai) Trading Company Limited [#] 博屬(上海)貿易有限公司, a company established in the PRC, a wholly-owned subsidiary of the Subject Company |
| “Bye-Laws” | The Amended and Restated Bye-Laws of the Company adopted at the annual general meeting held on 30 May 2012 |
| “Chargor” | City Joint Investments Limited, a company incorporated under the laws of the British Virgin Islands, being a wholly-owned subsidiary of the Company and the legal and beneficial owner of the entire issued capital of the Subject Company |
| “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) |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Deed of Assignment” | the deed of assignment of debt by way of security to be executed by the Assignor in favour of the Lender in relation to the assignment of all debts owed to the Assignor by the Subject Company to the Lender as a continuing security for the repayment obligation of the Company under the Loan Agreement |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

| | |
|---------------------------------|--|
| “Drawdown Dates” | collectively, the First Drawdown Date, the Second Drawdown Date, the Third Drawdown Date and the Fourth Drawdown Date |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent board committee of the Company comprising Ms. Choy So Yuk, Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary, being all the independent non-executive Directors, established by the Board for the purpose of advising the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Nuada Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | any Shareholder other than the Lender, Ms. Choi and her associates and those who are not required to abstain from voting at the SGM to approve the Loan Agreement and the transactions contemplated thereunder |
| “Latest Practicable Date” | 11 March 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Lender” | Yick Chuen Credit Limited, a company incorporated in Hong Kong with limited liability, and which is a licensed money lender in Hong Kong, a substantial shareholder and a connected person of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

| | |
|----------------------|---|
| “Loan” | the actual amount of loan drawn and to be drawn by the Company, including the HK\$1,060,000 which has been drawn by the Company on or before 15 December 2021 and any further loan to be drawn by the Company pursuant to the Loan Agreement up to the maximum loan amount of HK\$10,000,000 |
| “Loan Agreement” | the loan agreement dated 27 January 2022 entered into between the Lender and the Company in relation to the Loan |
| “Mongolia Logistics” | 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, a company established in the PRC, 39% of the equity interest of which is owned by Boshu (Shanghai) as at the Latest Practicable Date |
| “Ms. Choi” | Ms. Choi Lai Kuen, being the ultimate beneficial owner of the Lender, and who is a substantial shareholder and a connected person of the Company |
| “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 at Former Taihe Factory, Dongtai Village, Machong Town, Dongguan City, Guangdong Province, People’s Republic of China (transliteration of 中國廣東東莞市麻涌鎮東太村太和建材廠舊址) at 11:00 a.m. on Tuesday, 19 April 2022 or any adjournment thereof to approve the Loan Agreement and the transactions contemplated thereunder (including the Share Charge and the Deed of Assignment) and the re-election of retiring Directors |
| “Share Charge” | the deed of charge which charges the share of the Subject Company as a continuing security for the Loan Agreement, entered into between the Chargor and the Lender |
| “Share(s)” | share(s) of HK\$0.1 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

DEFINITIONS

| | |
|-------------------|--|
| “Subject Company” | Wealth Delight International Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Chargor |
| “Subject Group” | together, the Subject Company, its subsidiaries and Mongolia Logistics |
| “%” | per cent. |

The English transliteration of the Chinese names in this circular, where indicated, are included for information only, and should not be regarded as the official English translations of such Chinese names.

LETTER FROM THE BOARD



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

Non-executive Directors

Mr. Ouyang Nong

Independent non-executive Directors

Ms. Choy So Yuk
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
Ms. Ang Mei Lee Mary

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of
business in Hong Kong:*

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

18 March 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION – LOAN AGREEMENT;
(2) RE-ELECTION OF RETIRING DIRECTORS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 27 January 2022 in respect of, among others, the Loan Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

On 27 January 2022 (after trading hours), the Company as borrower entered into the Loan Agreement with the Lender, pursuant to which the Lender agreed to advance the Loan with a maximum principal amount of HK\$10,000,000 to the Company for a term of two years from the respective Drawdown Dates at an interest rate of 10% per annum. Subject to the approval of the Independent Shareholders at the SGM, the Loan will be secured by the Share Charge to be executed by the Chargor and the Deed of Assignment to be executed by the Assignor, both in favour of the Lender, as continuing security for the repayment obligation of the Company under the Loan Agreement.

The purpose of this circular is to provide the Shareholders with information which includes, among other things, (i) further details in respect of the Loan Agreement; (ii) the letter of recommendation from the Independent Board Committee in respect of the Loan Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder; (iv) the information on the retiring Directors subject to re-election; and (v) a notice of the SGM.

LOAN AGREEMENT

The principal terms of the Loan Agreement are summarised as follows:

| | |
|------------------|---|
| Date: | 27 January 2022 |
| Parties: | (1) Yick Chuen Credit Limited, as the lender; and (2) the Company, as the borrower |
| Loan: | Term loan with a maximum principal amount of HK\$10,000,000 to be drawn in four tranches, including: (1) HK\$1,060,000 which has been drawn by the Company on or before 15 December 2021; (2) Up to HK\$1,500,000 to be drawn on the Second Drawdown Date and on or before the date of the SGM; (3) Up to HK\$2,440,000 and any amount yet to be drawn by the Company under the second tranche of the Loan before the date of the SGM to be drawn on the Third Drawdown Date; and (4) HK\$5,000,000 to be drawn on the Fourth Drawdown Date |
| Purpose: | Working capital of the Group |
| Security: | To be secured by the Share Charge and the Deed of Assignment |

LETTER FROM THE BOARD

- Interest Rate:** 10% per annum
- Repayment Date:** In respect of each tranche of the Loan drawn by the Company, being the second anniversary day of each of the respective Drawdown Dates
- Prepayment:** The Company may prepay to the Lender the Loan (in whole or in part thereof) in integral multiples of HK\$500,000 (or such lesser amount as may represent the entire outstanding principal amount thereof) at any time prior to the repayment dates
- Drawing of Loan:**
- (1) The Company has drawn the first tranche of the Loan in the sum of HK\$1,060,000 and the Lender has advanced the sum to the Company on or before 15 December 2021 (the “**First Drawdown Date**”). The drawing of the first tranche of the Loan was unconditional.
 - (2) From the signing of the Loan Agreement and up to the date of the SGM (both dates inclusive) (the “**Second Drawdown Date**”), the Company shall be entitled to draw the second tranche of the Loan up to the sum of HK\$1,500,000 by giving a seven (7)-days’ draw down notice in writing to the Lender. The drawing of second tranche of the Loan is unconditional.
 - (3) Within one (1) month (the “**Third Drawdown Date**”) upon satisfaction (or waiver) of the conditions precedent for drawing the third tranche of the Loan set out below, the Company shall be entitled to draw the third tranche of the Loan up to the sum of HK\$2,440,000 and, if applicable, any amount yet to be drawn by the Company under the second tranche of the Loan before the date of the SGM, by giving a seven (7)-days’ draw down notice in writing to the Lender.
 - (4) Within one (1) month (the “**Fourth Drawdown Date**”) upon satisfaction (or waiver) of the conditions precedent for drawing the fourth tranche of the Loan set out below, the Company shall be entitled to draw the fourth tranche of the Loan being the remaining undrawn balance of the Loan up to the sum of HK\$5,000,000 by giving a seven (7)-days’ draw down notice in writing to the Lender.

LETTER FROM THE BOARD

**Conditions
Precedent:**

- (1) The obligation of the Lender to advance the third tranche of the Loan and, if applicable, any amount yet to be drawn by the Company under the second tranche of the Loan before the date of the SGM, to the Company is conditional upon:
 - (i) none of the events of default having occurred;
 - (ii) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to be duly convened and held to approve the Loan Agreement and the transactions contemplated thereunder including but not limited to the entering into of the Share Charge and the Deed of Assignment in compliance with the Listing Rules;
 - (iii) the Share Charge has been duly executed and delivered by the Chargor in favour of the Lender as continuing security for the due and punctual repayment of the Loan and the due and punctual performance of all the obligations of the Company contained in the Loan Agreement;
 - (iv) the Deed of Assignment has been duly executed and delivered by the Assignor in favour of the Lender as continuing security for the due and punctual repayment of the Loan and the due and punctual performance of all the obligations of the Company contained in the Loan Agreement; and
 - (v) all such documents incidental to the Loan Agreement, the Share Charge and the Deed of Assignment and other document(s) which may be reasonably requested by the Lender have been duly executed and delivered by the Chargor, the Assignor and the relevant parties.

The Lender may at its absolute discretion at any time waive any of the conditions (i), (iii), (iv) and (v) above and such waiver shall be effective only if it is made in writing and may be made subject to such terms and conditions as are determined and imposed by the Lender at its sole and absolute discretion. In the event that any of the above conditions has not been satisfied (or waived) on or before 30 April 2022 (or such later date as the Lender and the Company may agree in writing), the Lender shall have no obligation to grant the third or any further tranche of Loan to the Company.

LETTER FROM THE BOARD

- (2) The obligation of the Lender to advance the fourth tranche of the Loan to the Company is conditional upon:
 - (i) The fulfillment (or waiver, as the case may be) of all the conditions (1)(i), (ii), (iii), (iv) and (v) above; and
 - (ii) the provision of a business plan of the Company to the satisfaction of the Lender.

The Lender may at its absolute discretion at any time waive any of the conditions (1)(i), (iii), (iv) and (v) and (2) and such waiver shall be effective only if it is made in writing and may be made subject to such terms and conditions as are determined by the Lender. In the event that any of the above conditions has not been satisfied (or waived) on or before 31 August 2022 (or such later date as the Lender and the Company may agree), the Lender shall have no obligation to grant any of the fourth tranche of the Loan to the Company.

The business plan as stated in condition 2(ii) above, refers to a business plan sets out and includes, among others, steps and measures to ensure the Company's compliance with the sufficient operations level required under Rule 13.24 of the Listing Rules so that the Company not to be delisted.

Share Charge

Pursuant to the Loan Agreement, subject to the passing of the ordinary resolution by the Independent Shareholders at the SGM to approve the Loan Agreement and the transactions contemplated thereunder including but not limited to the entering into of the Share Charge and the Deed of Assignment, the Chargor shall execute the Share Charge in favour of the Lender to charge and assign by way of first fixed charge the entire issued share capital of the Subject Company owned by the Chargor to the Lender as a continuing security for the due and punctual payment of the Loan and interest accrued thereon and the due and punctual performance of all the obligations of the Company contained in the Loan Agreement.

In the event that the security provided by the Group under the Share Charge becomes enforceable, the Lender may exercise its power of sale under the Share Charge to sell the entire equity interest in the Subject Company for the recovery of the outstanding Loan and interest accrued thereon. In the circumstances, the enforcement of the Share Charge will constitute a disposal of the Subject Company. The Subject Company and its subsidiaries will cease to be subsidiaries of the Company and Mongolia Logistics will cease to be an associated corporation of the Company. In case the Lender elects to foreclose the security under the Share Charge, it will constitute a discloseable and connected transaction on the part of the Company. As at the Latest Practicable Date, the Company has no information on the counterparty if the Lender enforce the security under the Share Charge.

LETTER FROM THE BOARD

Deed of Assignment

Pursuant to the Loan Agreement, subject to the passing of the ordinary resolution by the Independent Shareholders at the SGM to approve the Loan Agreement and the transactions contemplated thereunder including but not limited to the entering into of the Share Charge and the Deed of Assignment, the Assignor shall execute the Deed of Assignment in favour of the Lender to assign to the Lender all the indebtedness owed by the Subject Company to the Assignor as a continuing security for the due and punctual payment of the Loan and interest accrued thereon and the due and punctual performance of all the obligations of the Company contained in the Loan Agreement. As at the Latest Practicable Date, the amount due by the Subject Company to the Assignor is approximately HK\$56,000.

In the event that the resolution proposed to approve the Loan Agreement and the transactions contemplated thereunder is not approved by the Independent Shareholders in the SGM, the Chargor and the Assignor are not required to execute the Share Charge and the Deed of Assignment respectively. In such circumstances, the first tranche and the second tranche of the Loan advanced by the Lender will become unsecured.

INFORMATION ON THE PARTIES

The Lender

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Lender is a licensed money lender in Hong Kong and the entire issued share capital of the Lender is wholly-owned by Ms. Choi. As at the Latest Practicable Date, the Lender is holding 67,961,770 Shares, representing approximately 10.59% of the existing issued share capital of the Company and Ms. Choi is in person holding 76,380 Shares, representing approximately 0.01% of the existing issued share capital of the Company. Each of the Lender and Ms. Choi is or is deemed to be a substantial shareholder and a connected person of the Company.

The Company

The Company is an investment holding company. The principal activities of the Group include the trading of commodities, exploration and production of oil and provision of oil well services, and provision of logistics and warehousing services.

The Chargor

The Chargor is a company incorporated in the British Virgin Islands with limited liability. The Chargor is a wholly-owned subsidiary of the Company. The Chargor is principally engaged in investment holding.

The Subject Company

The Subject Company is a company incorporated in the British Virgin Islands with limited liability. The Subject Company is the wholly-owned subsidiary of the Chargor, and thus an indirect wholly-owned subsidiary of the Company. The Subject Company is principally engaged in investment holding.

LETTER FROM THE BOARD

The Assignor

The Assignor is a company incorporated in Hong Kong with limited liability. The Assignor is a wholly-owned subsidiary of the Subject Company. The Assignor is principally engaged in investment holding.

Boshu (Shanghai)

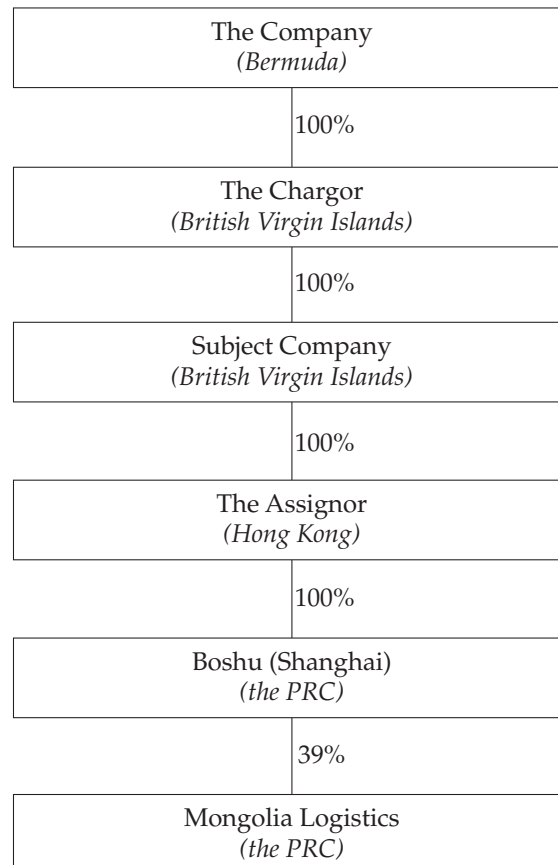
Boshu (Shanghai) is a company established in the PRC. Boshu (Shanghai) is a wholly-owned subsidiary of the Assignor. Boshu (Shanghai) is principally engaged in investment holding.

Mongolia Logistics

Mongolia Logistics is a company established in the PRC. As at the Latest Practicable Date, 39% of the equity interest of Mongolia Logistics is owned by Boshu (Shanghai). Mongolia Logistics carries out the logistics and warehousing services in Wuhai, the Inner Mongolia Autonomous Region, China.

The Group acquired the Subject Group in October 2015. Details of which is disclosed in the announcement of the Company dated 22 October 2015.

The group structure of the Chargor and the Subject Group as at the Latest Practicable Date are as follows:



LETTER FROM THE BOARD

Set out below is the unaudited financial information of the Subject Company for the two years ended 31 December 2020 and 2021, respectively, based on its unaudited management accounts prepared in accordance with the International Financial Reporting Standards:

| | For the year ended 31 December 2020 (unaudited) HK\$'000 | For the year ended 31 December 2021 (unaudited) HK\$'000 |
|-----------------|---|---|
| Revenue | – | – |
| Loss before tax | 11 | 7 |
| Loss after tax | 11 | 7 |

The unaudited net asset value of the Subject Company as at 31 December 2021 was approximately HK\$10,000.

Set out below is the audited/unaudited financial information of the Assignor for the two years ended 31 December 2020 and 2021, respectively, based on its audited accounts and unaudited management accounts prepared in accordance with the International Financial Reporting Standards:

| | For the year ended 31 December 2020 (audited) HK\$'000 | For the year ended 31 December 2021 (unaudited) HK\$'000 |
|-----------------|---|---|
| Revenue | – | – |
| Loss before tax | 13 | – |
| Loss after tax | 13 | – |

The unaudited net asset value of the Assignor as at 31 December 2021 was approximately HK\$10,000.

Set out below is the unaudited financial information of Boshu (Shanghai) for the two years ended 31 December 2020 and 2021, respectively, based on its unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC:

| | For the year ended 31 December 2020 (unaudited) HK\$'000 | For the year ended 31 December 2021 (unaudited) HK\$'000 |
|------------------------|---|---|
| Revenue | – | – |
| Profit/loss before tax | – | – |
| Profit/loss after tax | – | – |

LETTER FROM THE BOARD

The unaudited net asset value of Boshu (Shanghai) as at 31 December 2021 was approximately nil.

Set out below is the audited/unaudited financial information of Mongolia Logistics for the two years ended 31 December 2020 and 2021, respectively, based on its audited accounts and unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC:

| | For the year ended 31 December 2020 (audited) HK\$'000 | For the year ended 31 December 2021 (unaudited) HK\$'000 |
|-----------------|---|---|
| Revenue | 3,903 | 544 |
| Loss before tax | 2,918 | 5,112 |
| Loss after tax | 2,918 | 5,112 |

The unaudited net liabilities value of Mongolia Logistics as at 31 December 2021 was approximately RMB10,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

Given that the Coronavirus Disease (COVID-19) continued to create uncertain and adverse impacts on the market and the economies in the foreseeable future, the Group's business was adversely affected by the COVID-19 pandemic and the Group recorded loss and had a deficit of working capital. As of 31 December 2021, the total deficit was approximately HK\$6.4 million, including (i) outstanding debt with bill received in the Hong Kong office of the Company in the sum of approximately HK\$3.8 million; (ii) professional fee for annual audit of approximately HK\$1.8 million; and (iii) professional fee for the Loan and transactions contemplated thereunder of approximately HK\$0.8 million, while the Company also incurs recurring expenditure for daily operations of the Group in Hong Kong of approximately HK\$0.6 million per month. The Company also have major loans of HK\$444 million deriving from the expired convertible bonds and HK\$69 million deriving from the promissory notes. Due to the high gearing ratio of the Company, the Company encountered difficulty to raise fund by debt financing from independent third parties either by way of secured or unsecured loan. The Company has approached two financial institutions regarding the possibility and feasibility of granting loan to the Group, but the financial institutions declined to advance any loan to the Group due to the small turnover volume, current financial position and the insufficient operation issue of the Company. The external debt financing negotiations have terminated even before the Company made any proposals as to the provision of any security or collateral for the loan. Thus, the Company have approached the Lender, knowing that it is also a licensed money lender in Hong Kong.

LETTER FROM THE BOARD

As advised by the Lender, to its best knowledge information and belief having made reasonable enquiry, money lenders in the market generally offer loans at interest rates ranging from around 12% per annum to 36% per annum, depending on the loan amount, the credit risk of the borrower and the collateral for the loan. Being a licensed money lender, the Lender also adopts similar prevailing interest rate for its business. When negotiating the terms of the Loan with the Lender, the Lender took into account the Company's financial position, repayment ability and the quality of the collateral of the Loan. In view of the Loan will be secured by collaterals, the Lender agreed to offer the interest rate at the lower end of the spectrum. Since the Lender is a substantial shareholder and a connected person of the Company, the Company requested for further interest rate concession and the Lender was willing to offer a more favourable interest rate for the Company. Finally, the parties reached agreement on the interest rate of the Loan be 10% per annum and the Loan is required to be secured by the Share Charge and the Deed of Assignment.

The Subject Group under the security was acquired by the Group in October 2015 at a consideration of HK\$150 million and its book value as at 31 December 2020 and 30 June 2021 was zero. The consideration was fully impaired due to the delay of operation and later minimal operation of the Subject Group led by lack of funds in dealing with environmental policies changes and maintaining and upgrading the infrastructure as disclosed in the Company's announcements dated 16 August 2019, 7 July 2020 and 7 September 2021 respectively. In the view that the Company has no other alternative source to raise funds other than the Loan, the interest rate offered is more favourable when comparing to other money lenders in the market, and the security created on the Subject Company is not likely to create material adverse impact on the Group's financial performance and position, the Directors consider that notwithstanding the Lender requested the Company to provide security for the Loan, the Loan Agreement could provide working capital for the overhead and operation expenses of the Group.

The Directors (including the independent non-executive Directors) are in the view that the terms, including the interest rate and the provision of security, of the Loan Agreement are arrived at after arm's length negotiation between the Company and the Lender and are on normal commercial terms and beneficial to the business development of the Group, and the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the knowledge and belief of the Directors, none of the Directors has any interest in the resolution(s) of the Board to consider and approve the transactions contemplated under the Loan Agreement, or was otherwise required to abstain from voting on the relevant resolution(s) of the Board.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Lender is holding 67,961,770 Shares, representing approximately 10.59% of the existing issued share capital of the Company and Ms. Choi, being the ultimate beneficial owner of the Lender, is in person holding 76,380 Shares, representing approximately 0.01% of the existing issued share capital of the Company. Each of the Lender and Ms. Choi is or is deemed to be a substantial shareholder

LETTER FROM THE BOARD

and a connected person of the Company. Therefore, the entering into of the Loan Agreement and the transactions contemplated thereunder (including execution of the Share Charge and the Deed of Assignment) constitute connected transactions of the Company. As the highest of applicable percentage ratios in respect of the amount of the Loan is more than 5% but less than 25% and the total value under the Loan Agreement is not less than HK\$10,000,000, the Loan Agreement constitutes a connected transaction and is subject to announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event that the security provided by the Group under the Share Charge becomes enforceable, the Lender may exercise its power of sale under the Share Charge to sell the entire equity interest in the Subject Company for the recovery of the outstanding Loan and interest accrued thereon. In the circumstances, the enforcement of the Share Charge will constitute a disposal of the Subject Company. As the highest of applicable percentage ratios in respect of the amount of the potential disposal is more than 5% but less than 25%, it will constitute a discloseable transaction on the part of the Company. In case the Lender elects to foreclose the security under the Share Charge, it will constitute a discloseable and connected transaction on the part of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider and advise the Independent Shareholders as to whether the terms of the Loan Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM.

Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Loan Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM. The advice of the Independent Financial Adviser and the recommendation of the Independent Board Committee are set out on pages 19 to 37 and page 18, respectively, of this circular.

RE-ELECTION OF RETIRING DIRECTORS

References are made to the announcements of the Company dated 29 September 2021 and 14 December 2021 respectively, whereby with effect from 29 September 2021, Mr. Ouyang Nong ("**Mr. Ouyang**") was appointed as a non-executive Director and Mr. Chen Wai Chung Edmund ("**Mr. Chen**") was appointed as an independent non-executive Director, and with effect from 14 December 2021, Ms. Ang Mei Lee Mary ("**Ms. Ang**") was appointed as an independent non-executive Director. In accordance with article 86(2) of the Bye-Laws of the Company, each of Mr. Ouyang, Mr. Chen and Ms. Ang shall hold office until the SGM and shall then be eligible for re-election at the SGM. Details of Mr. Ouyang, Mr. Chen and Ms. Ang are set out in Appendix II to this circular.

LETTER FROM THE BOARD

SGM

The Company will convene and hold the SGM for the purpose of (i) seeking approval from the Independent Shareholders on, among other things, entering into of the Loan Agreement and the transactions contemplated thereunder (including execution of the Share Charge and the Deed of Assignment) and (ii) seeking approval from Shareholders on the re-election of retiring Directors. The voting at the SGM will be conducted by poll. The Lender, Ms. Choi and their associates will abstain from voting on the relevant resolution at the SGM.

The notice convening the SGM to be held at Former Taihe Factory, Dongtai Village, Machong Town, Dongguan City, Guangdong Province, People's Republic of China (transliteration of 中國廣東東莞市麻涌鎮東太村太和建材廠舊址) on Tuesday, 19 April 2022 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Ordinary resolutions will be proposed at the SGM to approve, among other things, the Loan Agreement and the transactions contemplated thereunder and the re-election of retiring Directors. The resolutions proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy enclosed and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournment meeting thereof (as the case may be) should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

In light of the spreading of the COVID-19 pandemic, Shareholders are recommended to appoint the chairman of the SGM as proxy to exercise the right to vote at the SGM in accordance with the Shareholders' instructions by completing and returning the form of proxy. Appointing a proxy will not preclude Shareholders from viewing and listening to the SGM through a live webcast by visiting <https://voovmeeting.com/dm/tfPrNmGGHRX6> on a computer, tablet or any browser enabled device or entering the meeting ID 870-087-129 on a device installed with the relevant app. Shareholders will be able to access the live webcast at the start of the SGM until its conclusion, and may raise questions during the SGM through the live webcast. Any Shareholder who would like to raise questions in relation to the business of the SGM in advance can send questions to the email account enquiry@srhlh.com for further assistance, if any. The Board will arrange for as many of the questions raised to be answered to the extent possible at the SGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 April 2022 to Tuesday, 19 April 2022 (both days inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of Shares will be registered during this period.

LETTER FROM THE BOARD

In order to be eligible to attend and vote at the SGM, unregistered holders of the Shares should ensure that all transfer forms 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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 April 2022.

RECOMMENDATIONS

Taking into account the reasons as set out in the paragraph headed "Reasons for and benefits of entering into the Loan Agreement and the transactions contemplated thereunder" above, the Directors (including the independent non-executive Directors) consider that the terms of the Loan Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement and to approve the re-election of retiring Directors.

The Independent Board Committee, having considered the advice of the Independent Financial Adviser, is of the view that the terms of the Loan Agreement and the transactions contemplated thereunder are on normal commercial basis, fair and reasonable, and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the Appendices to this circular.

The Shareholders and potential investors should be aware that the Loan Agreement and the transactions contemplated thereunder are subject to the fulfilment of the conditions precedent as contemplated under the Loan Agreement. Accordingly, the Loan may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully
For and on behalf of the Board of
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)

18 March 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

We refer to the circular dated 18 March 2022 (the “Circular”) to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meaning in this letter.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the Loan Agreement and the transactions contemplated thereunder, including the execution of Share Charge and the Deed of Assignment, are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder, including the execution of Share Charge and the Deed of Assignment, as set out on pages 19 to 37 of the Circular, and the letter from the Board set out on pages 5 to 17 of the Circular.

Having considered the information contained in the letter from the Board, and the factors and reasons considered by, and the opinion of, the Independent Financial Advisor as stated in its letter of advice, we consider that the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We recommend the Independent Shareholders to vote in favour of the resolution in respect of the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Ms. Choy So Yuk
Mr. Chen Wai Chung Edmund

Mr. Wu Zhao
Ms. Ang Mei Lee Mary

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 18 March 2022 prepared for the purpose of inclusion in the Circular.

Nuada Limited

Unit 1606, 16/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街 93-103 號
協成行上環中心 16 樓 1606 室

18 March 2022

*To the Independent Board Committee and
the Independent Shareholders of
Silk Road Logistics Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION LOAN AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 18 March 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Board Letter, on 27 January 2022, the Company as borrower entered into the Loan Agreement with the Lender, pursuant to which the Lender agreed to advance the Loan with a maximum principal amount of HK\$10,000,000 to the Company for a term of two years from the respective Drawdown Dates at an interest rate of 10% per annum. Subject to the approval of the Independent Shareholders at the SGM, the Loan will be secured by the Share Charge to be executed by the Chargor and the Deed of Assignment to be executed by the Assignor, both in favour of the Lender, as continuing security for the repayment obligation of the Company under the Loan Agreement.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board Letter, as at the Latest Practicable Date, the Lender is holding 67,961,770 Shares, representing approximately 10.59% of the existing issued share capital of the Company, and Ms. Choi, being the ultimate beneficial owner of the Lender, is in person holding 76,380 Shares, representing approximately 0.01% of the existing issued share capital of the Company. Each of the Lender and Ms. Choi is or is deemed to be a substantial shareholder and a connected person of the Company. Therefore, the entering into of the Loan Agreement and the transactions contemplated thereunder (including execution of the Share Charge and the Deed of Assignment) constitute connected transactions of the Company. As the highest of applicable percentage ratios in respect of the amount of the Loan is more than 5% but less than 25% and the total value under the Loan Agreement is not less than HK\$10,000,000, the Loan Agreement and the transactions contemplated thereunder constitutes a connected transaction and is subject to announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As disclosed in the Board Letter, in the event that the security provided by the Group under the Share Charge becomes enforceable, the Lender may exercise its power of sale under the Share Charge to sell the entire equity interest in the Subject Company (the "**Forced Sale**") for the recovery of the outstanding Loan and interest accrued thereon. In the circumstances, the enforcement of the Share Charge will constitute a disposal of the Subject Company. As the highest of applicable percentage ratios in respect of the amount of the potential disposal is more than 5% but less than 25%, it will constitute a discloseable transaction on the part of the Company. In case the Lender elects to foreclose the security under the Share Charge (the "**Foreclosure**"), it will constitute a discloseable and connected transaction on the part of the Company.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider and advise the Independent Shareholders as to whether the terms of the Loan Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM. We, Nuada Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Save for this appointment as the Independent Financial Adviser in respect of the Loan Agreement, there were no other engagements between the Group and us during the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser. Apart from normal professional fees for our services to the Company in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, pursuant to Rule 13.84 of the Listing Rules, we are independent from, and are not associated with the Company or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the Loan Agreement. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation 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 information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Circular, the Shareholders will be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed in the Circular, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

Our review and analysis were based upon, among other things, (i) the Loan Agreement, the Share Charge and the Deed of Assignment; (ii) the financial information of the Group for the two years ended 31 December 2019 (“**FY2019**”) and 31 December 2020 (“**FY2020**”) respectively as shown in the annual report of the Company for FY2020 (the “**Annual Report**”); (iii) the financial information of the Group for the two six months ended 30 June 2020 (“**6M2020**”) and 30 June 2021 (“**6M2021**”) respectively as shown in the interim report of the Company for 6M2021 (the “**Interim Report**”); (iv) the financial information of Mongolia Logistics as disclosed in the annual reports and the relevant supplemental announcement of the Company from the year ended 31 December 2015 to FY2020; (v) the Circular; and (vi) the announcements published by listed companies on the website of the Stock Exchange.

We consider that we have reviewed sufficient information, including the relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Loan Agreement and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the terms of the Loan Agreement, we have taken into account the following principal factors and reasons:

1. Background information on the parties

Set out below are the background information on the relevant parties to the Loan Agreement as extracted from the Board Letter:

The Lender

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Lender is a licensed money lender in Hong Kong and the entire issued share capital of the Lender is wholly-owned by Ms. Choi. As the Latest Practicable Date, the Lender is holding 67,961,770 Shares, representing approximately 10.59% of the existing issued share capital of the Company and Ms. Choi is in person holding 76,380 Shares, representing approximately 0.01% of the existing issued share capital of the Company. Each of the Lender and Ms. Choi is or is deemed to be a substantial shareholder and a connected person of the Company.

The Company

The Company is an investment holding company. The principal activities of the Group include the trading of commodities, exploration and production of oil and provision of oil well services, and provision of logistics and warehousing services.

As disclosed in the announcement of the Company dated 28 November 2021, on 26 November 2021, the Company received a letter from the Stock Exchange notifying the Company of its decision that, among others, the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares (the “**Decision**”). In particular, the Stock Exchange had concerns that the Company’s commodities trading business is not a business of substance and/or is not viable and sustainable, while its other businesses namely the logistics business and the oil business have all along been operated at a minimal level. Please refer to the aforesaid announcement for details related to the Decision.

The Chargor

The Chargor is a company incorporated in the British Virgin Islands with limited liability. The Chargor is a wholly-owned subsidiary of the Company. The Chargor is principally engaged in investment holding.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Subject Company

The Subject Company is a company incorporated in the British Virgin Islands with limited liability. The Subject Company is a wholly-owned subsidiary of the Chargor, and thus an indirect wholly-owned subsidiary of the Company. The Subject Company is principally engaged in investment holding.

Set out below is the unaudited financial information of the Subject Company for FY2020 and the year ended 31 December 2021 ("FY2021"), respectively, based on its unaudited management accounts prepared in accordance with the International Financial Reporting Standards:

| | For FY2020 (unaudited) HK\$'000 | For FY2021 (unaudited) HK\$'000 |
|-----------------|--|--|
| Revenue | – | – |
| Loss before tax | 11 | 7 |
| Loss after tax | 11 | 7 |

The unaudited net asset value of the Subject Company as at 31 December 2021 was approximately HK\$10,000.

The Assignor

The Assignor is a company incorporated in Hong Kong with limited liability. The Assignor is a wholly-owned subsidiary of the Subject Company. The Assignor is principally engaged in investment holding.

Set out below is the audited/unaudited financial information of the Assignor for FY2020 and FY2021, respectively, based on its audited accounts and unaudited management accounts prepared in accordance with the International Financial Reporting Standards:

| | For FY2020 (audited) HK\$'000 | For FY2021 (unaudited) HK\$'000 |
|-----------------|--|--|
| Revenue | – | – |
| Loss before tax | 13 | – |
| Loss after tax | 13 | – |

The unaudited net asset value of the Assignor as at 31 December 2021 was approximately HK\$10,000.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Boshu (Shanghai)

Boshu (Shanghai) is a company established in the PRC. Boshu (Shanghai) is a wholly-owned subsidiary of the Assignor. Boshu (Shanghai) is principally engaged in investment holding.

Set out below is the unaudited financial information of Boshu (Shanghai) for FY2020 and FY2021, respectively, based on its unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC:

| | For FY2020 (unaudited) RMB'000 | For FY2021 (unaudited) RMB'000 |
|-----------------|---|---|
| Revenue | – | – |
| Loss before tax | – | – |
| Loss after tax | – | – |

The unaudited net asset value of Boshu (Shanghai) as at 31 December 2021 was approximately nil.

Mongolia Logistics

Mongolia Logistics is a company established in the PRC. As at the Latest Practicable Date, 39% of the equity interest of Mongolia Logistics was wholly-owned by Boshu (Shanghai). Mongolia Logistics carries out the logistics and warehousing services in Wuhai city, the Inner Mongolia Autonomous Region, China.

The Group acquired the Subject Group in October 2015. Details of which is disclosed in the announcement of the Company dated 22 October 2015.

Set out below is the audited/unaudited financial information of Mongolia Logistics for FY2020 and FY2021, respectively, based on its audited accounts and unaudited management accounts prepared in accordance with generally accepted accounting principles in the PRC:

| | For FY2020 (audited) RMB'000 | For FY2021 (unaudited) RMB'000 |
|-----------------|---|---|
| Revenue | 3,903 | 544 |
| Loss before tax | 2,918 | 5,112 |
| Loss after tax | 2,918 | 5,112 |

The unaudited net liabilities value of Mongolia Logistics as at 31 December 2021 was approximately RMB10,000.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Financial information of the Group

The table below summarises the financial results of the Group for FY2019, FY2020, 6M2020 and 6M2021 as extracted from the Annual Report and the Interim Report respectively:

| | For FY2019 (audited) HK\$'000 | For FY2020 (audited) HK\$'000 | For 6M2020 (unaudited) HK\$'000 | For 6M2021 (unaudited) HK\$'000 |
|-------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Revenue | 5,522,721 | 34,609 | 2,957 | 6,907 |
| Gross profit/(loss) | 34,101 | 1,697 | (291) | 3,118 |
| (Loss) for the year/period | (378,812) | (382,174) | (39,649) | (43,053) |

The Group recorded a revenue of approximately HK\$34.6 million for FY2020, representing a substantial decrease of approximately 99.4% as compared with that of approximately HK\$5,522.7 million for FY2019. Gross profit of the Group also decreased from approximately HK\$34.1 million for FY2019 to approximately HK\$1.7 million for FY2020, representing a decrease of approximately 95.0%. According to the Annual Report and the Management, the decrease in revenue and gross profit was mainly due to (i) the COVID-19 pandemic and the dampened global economy, which in turn caused the near inactivity of the trading and logistics segment of the Group for the first half of FY2020 which only picked up in the second half of FY2020. One of the core subsidiaries of the Company, Silk Road Logistics (Qian'an) Company Limited, which is the primary source of revenue of the Group's operation in recent years, has made an initial step in recovering its trading volume, but the result was not remarkable. Revenue from trading segment amounted to approximately HK\$29.1 million for FY2020, decreasing by HK\$5,488.1 million from HK\$5,519.8 million for FY2019; and (ii) the oil market was hit by a price war and the COVID-19 pandemic, leading to lower oil price during FY2020. The Group recorded a loss for the year of approximately HK\$382.2 million for FY2020 as compared with that of approximately HK\$378.8 million for FY2019, representing an increase of approximately 0.9%. According to the Annual Report and the Management, the loss for the year was attributable to (i) the decrease in revenue and gross profit as stated above; and (ii) the further impairment in goodwill and the investments in associates. During FY2020, the Management conducted a review of the profitability of the businesses undertaken by the associates of the Company, including Mongolia Logistics, and was of the view that it was appropriate to make additional impairment loss recognised in profit and loss in respect of the year amounted to a total of approximately HK\$274.0 million. These impairments were due to the predicted deterioration in future economy for a persistent period of time in light of the serious impacts caused by the COVID-19 pandemic, leading to a prudent approach to future operations. Also, additional investments would be required for the associates located in Inner Mongolia to initiate and expand their operations. In view of the then business environment and the recoverability of economy from the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

COVID-19 pandemic, the future sources of funds could not be predicted nor determined. Taking into account the above considerations, the values of the investments in those associates were fully impaired in FY2020 to reflect these uncertainties.

The Group recorded a revenue of approximately HK\$6.9 million for 6M2021, representing an increase of approximately 130.0% as compared with that of approximately HK\$3.0 million for 6M2020. The Group also recorded a gross profit of approximately HK\$3.1 million for 6M2021 as compared with a gross loss of approximately HK\$0.3 million for 6M2020. According to the Interim Report and the Management, the increase in revenue and improvement to a gross profit was mainly due to the resumption of operations of all business segments of the Group in light of market sentiment being lifted by the growing vaccine rollout and solid demand for manufactured export and the pickup of consumer spending, where the Group conducted several trading of commodities in 6M2021 when there was none in 6M2020. Nevertheless, the Group recorded a loss for the period of approximately HK\$43.1 million for 6M2021 as compared with that of approximately HK\$39.6 million for 6M2020, representing an increase of approximately 8.8%. According to the Interim Report and the Management, such increase in loss for the period despite an improvement to a gross profit was attributable to an one-off impairment of other receivable of approximately HK\$11.0 million.

The table below summarises the financial position of the Group as at 31 December 2019, 31 December 2020 and 30 June 2021 as extracted from the Annual Report and Interim Report respectively:

| | As at 31 December 2019 (audited) HK\$'000 | As at 31 December 2020 (audited) HK\$'000 | As at 30 June 2021 (unaudited) HK\$'000 |
|---------------------------|--|--|--|
| Cash and cash equivalents | 4,369 | 3,781 | 822 |
| Net current liabilities | (433,195) | (549,603) | (589,558) |
| Net assets/(liabilities) | 362,819 | 3,049 | (37,510) |

As stated in the Annual Report and the Interim Report, cash and cash equivalent of the Group amounted to approximately HK\$4.4 million, HK\$3.8 million and HK\$0.9 million as at 31 December 2019, 31 December 2020 and 30 June 2021 respectively. According to the Management, the decrease in cash and cash equivalent was mainly due to the reduced operations of the Group in view of the COVID-19 pandemic and the dampened global economy with limited funding raised. In particular, (i) for FY2020, net cash used in financing activities of approximately HK\$24.7 million, which mainly consisted of repayment of bank and

other borrowings, was partially offset by net cash generated by operating activities of approximately HK\$23.7 million; and (ii) for 6M2021, net cash used in operating activities of approximately HK\$2.4 million. Net current liabilities of the Group amounted to approximately HK\$433.2 million, HK\$549.6 million and HK\$589.6 million as at 31 December 2019, 31 December 2020 and 30 June 2021 respectively. According to the Management, the increase in net current liabilities was mainly due to the reduced operations of the Group leading to limited cash generated by the Group and hence the increase in current liabilities. The Group recorded net assets of approximately HK\$362.8 million and HK\$3.0 million as at 31 December 2019 and 31 December 2020 respectively and net liabilities of approximately HK\$37.5 million as at 30 June 2021. According to the Management, the decrease in net assets and change from net assets to net liabilities were mainly due to the reduced operations of the Group as stated above and continued losses of the Group for recent financial periods. In addition, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt), increased from approximately 63.3% as at 31 December 2019 to approximately 119.3% as at 31 December 2020, and decreased slightly to approximately 107.7% as at 31 December 2021. According to the Management, the substantial increase in gearing ratio as at 31 December 2020 was mainly due to the substantial decrease in net assets as at 31 December 2020 as stated above.

According to the Management, the unaudited cash and cash equivalents of the Group amounted to approximately HK\$974,000 as at 31 December 2021.

As disclosed in the section headed “Independent Auditors’ Report” in the Annual Report, the auditors of the Company (the “**Auditors**”) did not express an opinion on the consolidated financial statements of the Group for FY2020. In particular, as disclosed in Note 2 in the Annual Report, the current liabilities of the Group at 31 December 2020 exceed the current assets of the Group at that date by approximately HK\$549.6 million and the Group incurred net loss of approximately HK\$382.2 million for FY2020. The consolidated financial statements of the Group have been prepared by the Directors 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 in the Annual Report. The Auditors stated that 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, they have disclaimed their audit opinion on the consolidated financial statements of the Group. Please refer to the section headed “Independent Auditors’ Report” in the Annual Report for further details.

3. Reasons for and benefits of entering into the Loan Agreement

As disclosed in the Board Letter, given that the COVID-19 pandemic continued to create uncertain and adverse impacts on the market and the economies in the foreseeable future, the Group's business was adversely affected by the COVID-19 pandemic and the Group recorded loss and had a deficit of working capital. According to the Management, as of 31 December 2021, the total deficit was approximately HK\$6.4 million, including (i) outstanding debt with bill received in the Hong Kong office of the Company in the sum of approximately HK\$3.8 million; (ii) professional fee for annual audit of approximately HK\$1.8 million; and (iii) professional fee for the Loan and transactions contemplated thereunder of approximately HK\$0.8 million, while the Company also incurs recurring expenditure for daily operations of the Group in Hong Kong of approximately HK\$0.6 million per month. The Company also have major loans of HK\$444 million deriving from the expired convertible bonds and HK\$69 million deriving from the promissory notes. Due to the high gearing ratio of the Company, the Company encountered difficulty to raise fund by debt financing from independent third parties either by way of secured or unsecured loan. The Company has approached two financial institutions regarding the possibility and feasibility of granting loan to the Group, but the financial institutions declined to advance any loan to the Group due to the small turnover volume, and current financial position and the insufficient operation issue of the Company. The external debt financing negotiations have terminated even before the Company made any proposals as to the provision of any security or collateral for the loan. Thus, the Company have approached the Lender, knowing that it is also a licensed money lender in Hong Kong.

As disclosed in the Board Letter, as advised by the Lender, to its best knowledge information and belief having made reasonable enquiry, money lenders in the market generally offer loans at interest rates ranging from around 12% per annum to 36% per annum, depending on the loan amount, the credit risk of the borrower and the collateral for the loan. Being a licensed money lender, the Lender also adopts similar prevailing interest rate for its business. When negotiating the terms of the Loan with the Lender, the Lender took into account the Company's financial position, repayment ability and the quality of the collateral of the Loan. In view of the Loan will be secured by collaterals, the Lender agreed to offer the interest rate at the lower end of the spectrum. Since the Lender is a substantial shareholder and a connected person of the Company, the Company requested for further interest rate concession and the Lender was willing to offer a more favourable interest rate for the Company. Finally, the parties reached agreement on the interest rate of the Loan be 10% per annum and the Loan is required to be secured by the Share Charge and the Deed of Assignment.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board Letter, the Subject Group under the security was acquired by the Group in October 2015 at a consideration of HK\$150 million and was classified as interest in associates in the Company's financial information. The book value of the Subject Company as at 31 December 2020 and 30 June 2021 was zero according to the Annual Report and the Interim Report respectively. The value of the investments in Mongolia Logistics was fully impaired due to the delay of operation and later minimal operation of the Subject Group led by lack of funds in dealing with environmental policies changes and maintaining and upgrading the infrastructure as disclosed in the Company's announcements dated 16 August 2019, 7 July 2020 and 7 September 2021 respectively. In the view that the Company has no other alternative source to raise funds other than the Loan, the interest rate offered is more favourable when comparing to other money lenders in the market, and the security created on the Subject Company is not likely to create material adverse impact on the Group's financial performance and position, the Directors consider that notwithstanding the Lender requested the Company to provide security for the Loan, the Loan Agreement could provide working capital for the overhead and operation expenses of the Group.

We have discussed with the Management and understand that there were total deficit of approximately HK\$6.4 million as detailed above as well as working capital need of the Group of approximately HK\$0.6 million per month, which mainly consists of recurring expenditure for daily operations of the Group in Hong Kong including staff cost, rental payment and other administrative expenses. Having taking into account that (i) the financial performance in recent financial years/periods have been unsatisfactory with a continuous loss-making position, a continuous net current liabilities position as well as a net liabilities position as at 30 June 2021 as disclosed in the paragraph headed "2. Financial information on the Group" above; (ii) the Group has insufficient internal resources with unaudited cash and cash equivalents of the Group of approximately HK\$974,000 as at 31 December 2021 according to the Management as disclosed in the paragraph headed "2. Financial information on the Group" above; (iii) the Auditors did not express an opinion on the consolidated financial statements of the Group for FY2020 in view of the extent of the material uncertainties relating to the results of the measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern; (iv) the Loan with a maximum principal amount of HK\$10.0 million would allow the Group to meet its total deficit of approximately HK\$6.4 million and its short-term working capital needs which is estimated to be approximately HK\$600,000 per month; (v) the terms of the Loan Agreement are fair and reasonable as stated in the paragraph headed "4. Review on terms of the Loan Agreement" below; (vi) the Company has considered alternative fund raising methods but in vain as stated in the paragraph headed "5. Other fund-raising alternatives" below; and (vii) in the event of Forced Sale or Foreclosure, the possible financial effect on the Group is justifiable and the Share Charge is fair and reasonable as stated in the paragraph headed "6. Possible financial effect of the Share Charge" below, we are of the view and concur with the view of the Directors that, the terms of Loan Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Review on terms of the Loan Agreement

In order to assess the fairness and reasonableness of the terms of the Loan, we have searched for relevant loan borrowed by other companies listed on the Main Board from its connected person for general working capital purposes as announced during the twelve months period prior to and including 27 January 2022, being the date of the Loan Agreement. We noted that there were no such loans and therefore removed the selection criteria related to the usage of the loans so that loans for all kinds of usages are included. After excluding three loan transactions where the loans were for property projects and the interest return will be calculated based on the profit of such projects instead of a fixed/floating interest rate, we identified an exhaustive list of seven loans (the “**Comparable Loan(s)**”). Notwithstanding the differences between the listed issuers of the Comparable Loans and the Group in terms of business nature, financial performance, financial position as well as funding requirements and usages of the Comparable Loans, we consider that the Comparable Loans can provide a general reference in relation to the terms of loans under recent market condition and sentiment. Details of the Comparable Loans are set out in the table below:

| No. | Date of announcement | Stock Code | Company name | Principal amount (million) | Interest rate per annum (%) | Security and/or guarantee (Y/N) | Gearing ratio ⁽¹⁾ (%) | Profit/(loss) ⁽²⁾ (million) | Net assets/(liabilities) ⁽¹⁾ (million) | Usage |
|-----|----------------------|------------|--|-------------------------------|--------------------------------|--|-------------------------------------|---|--|--|
| 1. | 5 February 2021 | 371 | Beijing Enterprises Water Group Limited | RMB60.71 | 4.90 | Y, pledge of financial accounts receivable and guarantee given by a 85.45%-owned subsidiary of the listed company | 100.8 | HK\$5,240.5 | HK\$57,124.0 | Water diversion and water supply engineering project |
| 2. | 24 March 2021 | 371 | Beijing Enterprises Water Group Limited | RMB25.38 | 4.90 ⁽³⁾ | Y, pledge of financial accounts receivable and guarantee given by a 85.45%-owned Subsidiary of the listed company | 100.8 | HK\$5,240.5 | HK\$57,124.0 | Water diversion and water supply engineering project |
| 3. | 30 June 2021 | 346 | Yanchang Petroleum International Limited | US\$22.0 | 4.80 | Y, share charge of 35% equity interest of a wholly-owned subsidiary of the listed company, whose 70%-owned subsidiary shall have a carrying valuation of not less than US\$104,800,000 | 229.0 | (HK\$792.7) | HK\$801.1 | Expansion of oil production capacity |

LETTER FROM INDEPENDENT FINANCIAL ADVISER

| No. | Date of announcement | Stock Code | Company name | Principal amount (million) | Interest rate per annum (%) | Security and/or guarantee (Y/N) | Gearing ratio ⁽¹⁾ (%) | Profit/(loss) ⁽²⁾ (million) | Net assets/(liabilities) ⁽¹⁾ (million) | Usage |
|-----|----------------------|------------|---|-------------------------------|--------------------------------|---|-------------------------------------|---|--|---|
| 4. | 27 July 2021 | 371 | Beijing Enterprises Water Group Limited | RMB4.2 | 4.90 ⁽³⁾ | Y, pledge of financial accounts receivable and guarantee given by a non-wholly owned subsidiary of the listed company | 100.8 | HK\$5,240.5 | HK\$57,124.0 | Water diversion and water supply engineering project |
| 5. | 25 August 2021 | 371 | Beijing Enterprises Water Group Limited | RMB150.0 | 4.05 ⁽⁴⁾ | Y, pledge of account receivables with book value of approximately RMB343.6 million | 100.8 | HK\$5,240.5 | HK\$57,124.0 | Sewage treatment plant expansion and pipeline network |
| 6. | 4 November 2021 | 902 | Huaneng Power International, Inc. | US\$28.125 | 3.85 | Y, guarantee provided by a 80%-owned subsidiary of the listed company | 66.7 | RMB2,610.6 | RMB153,017.3 | New energy project |
| 7. | 30 November 2021 | 6078 | Hygeia Healthcare Holdings Co., Limited | RMB30.0 | 4.35 | N | 6.3 | RMB177.1 | RMB4,476.0 | Development and expansion of hospital's business |
| | | | | Mean | 4.54 | | | | | |
| | | | | Maximum | 4.90 | | 229.00 | HK\$5,240.5 | RMB153,017.3 | |
| | | | | Minimum | 3.85 | | 6.30 | RMB177.1 | HK\$801.1 | |
| | 27 January 2022 | 988 | Company | HK\$10.0 | 10.00 | Y, the Share Charge and the Deed of Assignment | 119.3 | (HK\$382.2) | (HK\$37.5) | |

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) The gearing ratio and the net assets/liabilities of the listed companies of the Comparable Loans are based on the figures as disclosed latest annual or interim results announced by such listed companies prior to obtaining the Comparable Loans.
- (2) The profit/loss for the year of the listed companies of the Comparable Loans are based on the figures as disclosed latest annual results announced by such listed companies prior to obtaining the Comparable Loans.
- (3) The applicable interest rate is a floating interest rate equal to the relevant loan prime rate for a period longer than 5 years (4.65% per annum as at the date of the relevant announcements) announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date plus 0.25%. It shall be adjusted for each 12 months with reference to the then latest loan prime rate for a period longer than 5 years.
- (4) The applicable interest rate is a floating interest rate equal to the relevant loan prime rate for a period longer than 5 years (currently 4.65% per annum as at the date of the relevant announcement) announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.6%. It shall be adjusted for each 12 months with reference to the then latest loan prime rate for a period longer than 5 years.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(a) Interest rate

The interest rates of the Comparable Loans range from 3.85% to 4.90%, with an average interest rate of approximately 4.54%. The interest rate of 10.0% per annum of the Loan is above the range of interest rate represented by the Comparable Loans. Nevertheless, we note that (i) out of the four listed companies related to the seven Comparable Loans, three of them are profit making in the latest financial year with profit ranging from approximately RMB177.1 million to approximately HK\$5,240.5 million; (ii) all four listed companies had net assets, ranging from approximately HK\$801.1 million to approximately RMB153.0 billion; and (iii) the gearing ratios of the four listed companies ranges from approximately 6.3% to approximately 229.0%. In view of the above and having considered that (i) the unsatisfactory financial performance with a continuous loss-making position, a continuous net current liabilities position and a net liabilities position as disclosed in the paragraph headed “2. Financial information on the Group” above; and (ii) the Loan is a justifiable financing alternative available to the Company as discussed in the paragraph headed “5. Other fund-raising alternatives” below, we are of the view and concur with the view of the Management that the interest rate of the Loan is justifiable.

(b) Security and/or guarantee

We note that six out of the seven Comparable Loans required pledge of assets and/or guarantee provided. While announcements of only two of the Comparable Loans disclosed the approximate amount of the value of assets pledged, in both of these two Comparable Loans (i.e. Comparable Loan No. 3 and Comparable Loan No. 5) the value of assets pledged are similar to the principal amount of the relevant Comparable Loans. In the case of the Loan, the Subject Company under the Share Charge recorded no revenue and minimal loss in recent financial years and a minimal unaudited net asset value of approximately HK\$10,000 as at 31 December 2021.

(c) Conclusion

Based on the above analysis of the Comparable Loans, we consider that the principal terms of the Loan are generally in line with market practice and therefore the terms of the Loan Agreement are fair and reasonable.

5. Other fund-raising alternatives

As stated in the Board Letter, due to the high gearing ratio of the Company, the Company encountered difficulty to raise fund by debt financing from independent third parties either by way of secured or unsecured loan. As stated in the paragraph headed “2. Financial information on the Group” above, the Group was in a continuous loss-making position, a continuous net current liabilities position as well as a net liabilities position as at 30 June 2021, and the Auditors did not express an opinion on the consolidated financial statements of the Group for FY2020 in view of the extent of the material uncertainties relating to the results of the measures to be undertaken by the Group which might cast a significant doubt on the Group’s ability to continue as a going concern. As stated in the paragraph headed “1. Background information on the parties” above, the Stock Exchange remains concerned that the Group’s businesses are not viable and sustainable. We have also discussed with the Management and based on the information provided by the Management, we understand that the Company has approached two financial institutions regarding the possibility and feasibility of granting loan to the Group, but both financial institutions declined to provide any loan to the Group due to its financial performance and current financial position as detailed in the paragraph headed “2. Financial information on the Group” above. Meanwhile, we are advised by the Management that according to the show cause letter dated 5 October 2021 from the Stock Exchange in relation to their concerns that the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares, the Stock Exchange is minded not to grant the listing approval of any issuance of new securities by the Company unless their concerns in the aforesaid letter above have been satisfactorily addressed. Therefore, equity financing is not an applicable method for fund raising until Stock Exchange’s concerns have been satisfactorily addressed.

Having considered that (i) the Company has approached two financial institutions who are independent third parties for possible debt financing but both declined to provide any loan to the Group; (ii) based on the decision of the Stock Exchange, the Company currently cannot conduct any equity financing; (iii) the Loan would allow the Group to meet its short-term working capital needs; and (iv) based on our comparable analysis, the terms of the Loan Agreement is fair and reasonable, we are of the view and concur with the view of the Management that the Loan is a justifiable financing alternative available to the Company.

6. Possible financial effect of the Share Charge

As disclosed in the Board Letter, in the event that the security provided by the Group under the Share Charge becomes enforceable, the Lender may exercise its power of sale under the Share Charge to sell the entire equity interest in the Subject Company for the recovery of the outstanding Loan and interest accrued thereon. In the circumstances, the enforcement of the Share Charge will constitute a disposal of the Subject Company. As the highest of applicable percentage ratios in respect of the amount of the potential disposal is more than 5% but less than 25%, it will constitute a discloseable transaction on the part of the Company. In case the Lender elects to foreclose the security under the Share Charge, it will constitute a discloseable and connected transaction on the part of the Company.

To review the possible financial effect of the Share Charge, in particular in case of Forced Sale or Foreclosure, we have taken into consideration the financial information of the Subject Company, the Assignor, Boshu (Shanghai) and Mongolia Logistics as set out in the paragraph headed “1. Background information on the parties” above. We note that the Subject Company is principally engaged in investment holding where the major asset is its 39% equity interest in Mongolia Logistics held indirectly through its wholly-owned subsidiaries. We further noted that the Group acquired the Subject Group in October 2015 at a consideration of HK\$150 million, which was arrived at after arm’s length negotiations between the parties to the relevant sale and purchase agreement with reference to the valuation of 100% equity interests in Mongolia Logistics prepared by an independent professional valuer engaged by the Company of HK\$506 million under the discounted cashflow approach as at 31 August 2015. The consideration of HK\$150 million represents a discount of approximately 23.99% to the value of 39% equity interests of Mongolia Logistics under the abovementioned valuation, further details of which is disclosed in the announcement of the Company dated 22 October 2015. As discussed with the Management, we understand that Mongolia Logistics is an associate of the Group and its results and assets and liabilities are incorporated in these consolidated financial statements of the Group using the equity method of accounting.

We note from the annual reports of the Company for recent financial years that Mongolia Logistics has been loss-making consecutively since the year ended 31 December 2015, the year in which the Group acquired the Subject Group, and up to the year ended 31 December 2021 with gradually decreasing net assets and further deteriorated to an unaudited net liabilities value as at 31 December 2021 of approximately RMB10,000 as stated in the Board Letter. As discussed with Management and as disclosed in the Company’s announcements dated 16 August 2019, 7 July 2020 and 7 September 2021 respectively, we noted that the value of the investments in Mongolia Logistics was fully impaired due to the delay of operation and later minimal operation of the Subject Group led by lack of funds in dealing with environmental policies changes and maintaining and upgrading the infrastructure.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As stated in the annual report of the Company for the year ended 31 December 2018 and the announcement of the Company dated 16 August 2019, the operation of Mongolia Logistics has been delayed as impacted by the potential slowdown of railway transportation industry, and an impairment loss made on investments in Mongolia Logistics was HK\$35.0 million for the year ended 31 December 2018.

As stated in the annual report of the Company for FY2019 and the announcement of the Company dated 7 July 2020, there were some uncertainties which affected the operations of Mongolia Logistics, including the outbreak of COVID-19 and its impact on the economic growth of the PRC, the Sino-US trade war, the potential slowdown of railway transportation industry and the economic growth in China. Accordingly, an impairment loss on investments in Mongolia Logistics of HK\$46.0 million was made for FY2019.

As stated in the Annual Report and the announcement of the Company dated 7 September 2021, (i) Mongolia Logistics has been in lack of funds to upgrade its facilities in compliance with the new environmental protection policy implemented since 2018, which severely limited its scale of operation with only 500,000 tonnes per year in contrast to a maximum capacity of 10 million tonnes per year; (ii) the maintenance company of the railway system used by Mongolia Logistics informed that (a) certain parts of the railway were worn out and posed severe dangers to the safety of railway operation; and (b) no maintenance services would be rendered by it as the maintenance contract was expired and the contract was not renewed by Mongolia Logistics. Given that no repairs nor replacement was or would be carried out, it is uncertain whether Mongolia Logistics can continue its railway transportation safely, and the operation may be put on halt anytime; and (iii) Mongolia Logistics has incurred significant borrowings from independent third parties for the construction of its infrastructure and encountered difficulties in obtaining funds to repay the loans. To repay the debt, the lenders proposed loan capitalization, which may result in vast dilution impact to the existing shareholding interests of the Group and a State-owned enterprise shareholder (the “**SOE Shareholder**”). The SOE shareholder has indicated that it will withdraw from being the existing operator of Mongolia Logistics, if the loan capitalization takes place. Therefore, the operating right of Mongolia Logistics will be transferred to the lenders, i.e. the new majority shareholders, which lack track record on the operation of logistics business. Accordingly, an impairment loss on investments in Mongolia Logistics of HK\$53,375,000 was made for FY2020 and the accumulated impairment loss was approximately HK\$134,375,000 as at 31 December 2020, which was equal to the Group’s share of net assets of Mongolia Logistics (excluding goodwill) of approximately HK\$1,661,000 and the goodwill on acquisition of Mongolia Logistics of approximately HK\$132,714,000. As discussed with the Management, the aforesaid loan capitalization has not yet taken place as at the Latest Practicable Date.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have also discussed with the Management and review the terms of the Share Charge, and understand that the Lender may exercise its power of sale under the Share Charge only upon the occurrence of an event of default as stipulated in the Loan Agreement. The aforesaid event of defaults include any material breach or default of the Loan Agreement, any representations or warranties by the borrower in the Loan Agreement being untrue or inaccurate, etc, and upon the happening of any such event the Loan will be immediately and fully repaid by the borrower upon demand by the Lender. As discussed with the Management, we understand that the Company will use its best endeavours to prevent the occurrence of any event of default as otherwise it would not have sufficient fund to repay the Loan and satisfy its working capital need.

Notwithstanding the fact that the Group acquired the Subject Group in October 2015 at a consideration of HK\$150 million and the Share Charge is for the Loan with a principal amount of HK\$10 million, having considered that (i) the consideration of HK\$150 million was determined based on the then valuation of Mongolia Logistics performed in 2015 based on the then projections of the future cash flows, market conditions, economic fundamentals and other assumptions adopted in the valuation, which may no longer be applicable; (ii) the Subject Company has an unaudited net asset value of approximately HK\$10,000 as at 31 December 2021 and its major asset is its 39% equity interest in Mongolia Logistics; (iii) the results and assets and liabilities of Mongolia Logistics are incorporated in these consolidated financial statements of the Group using the equity method of accounting; (iv) Mongolia Logistics has been loss-making for seven consecutive years since the Subject Group was acquired by the Group in 2015 with decreasing net assets and had unaudited net liabilities value of approximately RMB10,000 as at 31 December 2021; (v) Mongolia Logistics has had severely limited operations and encountered difficulties in obtaining funds to repay its borrowings; (vi) the values of the investments in Mongolia Logistics were fully impaired by the Group in FY2020; (vii) the potential debt capitalisation of Mongolia Logistics casts uncertainty on its future operations and financial results; (viii) in view of the above, in case of Forced Sale or Foreclosure, the Management considers that there will not be any material adverse effect on the financial performance and position of the Group; and (ix) the Company will use its best endeavours to prevent the occurrence of any event of default, upon which the Lender's power of sale under the Share Charge is conditional, we are of the view and concur with the view of the Management that the Share Charge is fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the entering of the Loan Agreement by the Group is in its ordinary and usual course of business; and (ii) the terms of the Loan Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited

Kevin Wong
Vice President

Nigel Ng
Manager

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

Mr. Nigel Ng is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 7 years of experience in corporate finance industry.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had 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) which were required (i) 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) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

| Name | Nature of interest | Long position/ Short position | Number of Shares held | Approximate percentage of the total issued share capital of the Company |
|-----------------|--------------------|----------------------------------|--------------------------|---|
| Ms. Choy So Yuk | Personal interests | Long position | 27,190 | 0.01% |

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

| Name | Nature of interest | Long position/ Short position | Number of Shares held | Approximate percentage of the total issued share capital of the Company |
|---|--|-----------------------------------|--------------------------|---|
| Cai Jianjun ⁽¹⁾ | Interest of spouse & Interest of controlled corporation | Long position | 171,372,822 | 26.70% |
| China Yangtze River Petrochemical Group Limited ⁽¹⁾ | Directly owned | Long position | 170,372,822 | 26.55% |
| China Huarong Asset Management Co., Ltd. ⁽²⁾ | Interest of controlled corporation | Long position & Short position | 170,372,822 | 26.55% |
| Huarong Huaqiao Asset Management Co., Ltd. ⁽²⁾ | Interest of controlled corporation | Long position & Short position | 170,372,822 | 26.55% |
| Choi Lai Kuen ⁽³⁾ | Directly owned & Interest of controlled corporation | Long position | 68,038,150 | 10.60% |
| Yick Chuen Credit Limited ⁽³⁾ | Directly owned | Long position | 67,961,770 | 10.58% |
| Tewoo Group Company Limited ⁽⁴⁾ | Interest of controlled corporation | Long position | 43,822,412 | 6.83% |
| Tewoo Group (Hong Kong) Limited ⁽⁴⁾ | Interest of controlled corporation | Long position | 43,822,412 | 6.83% |

| Name | Nature of interest | Long position/ Short position | Number of Shares held | Approximate percentage of the total issued share capital of the Company |
|---|------------------------------------|----------------------------------|--------------------------|---|
| Tianjin Binhai Huanneng Development Co., Ltd.* ⁽⁴⁾ | Interest of controlled corporation | Long position | 43,822,412 | 6.83% |
| Tianjin Rongxin Co., Ltd.* ⁽⁴⁾ | Interest of controlled corporation | Long position | 43,822,412 | 6.83% |
| Tewoo Import & Export Trading Co., Limited* ⁽⁴⁾ | Interest of controlled corporation | Long position | 43,822,412 | 6.83% |
| Tewoo Import & Export (HK) Limited ⁽⁴⁾ | Interest of controlled corporation | Long position | 43,822,412 | 6.83% |
| Xinya Global Limited ⁽⁴⁾ | Directly owned | Long position | 43,822,412 | 6.83% |

Notes:

- (1) Mr. Cai Jianjun (a) beneficially holds 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's.
- (2) China Huarong Asset Management Co., Ltd. (stock code: 2799) beneficially holds the 170,372,822 Shares through its indirect non wholly-owned subsidiary, China Huarong Investment Management Limited, 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. Apart from China Huarong Investment Management Limited which has actual interests, all of the companies are deemed to have interest in the 170,372,822 Shares.
- (3) Ms. Choi Lai Kuen holds (a) 76,380 Shares in person; and (b) 67,961,770 Shares beneficially through her directly wholly-owned subsidiary, Yick Chuen Credit Limited (i.e. the Lender).
- (4) Tewoo Group Company Limited beneficially holds 43,822,412 shares through its indirect wholly-owned subsidiary, Xinya Global Limited, which is in turn 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 Import & Export Trading Co., Ltd. is wholly owned by Tianjin Rongxin Co., Ltd., which is in turn wholly owned by Tianjin Binhai Huanneng Development Co., Ltd. Both Tewoo Group (Hong Kong) Limited and Tianjin Binhai Huanneng Development Co., Ltd. are direct wholly-owned subsidiaries of Tewoo Group Company Limited. Apart from Xinya Global Limited which has actual interests, all of these companies are deemed to have interest in the 43,822,412 shares.

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

Save as disclosed above, the Company had not been notified of any other persons who had interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, the Directors are not aware of any Director or proposed Director who is a director or employee of a company which has an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO

3. NO MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to acquired or disposed of by or leased to any members of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses to which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the expert, and its qualification, who has given opinion contained in this circular:

| Name | Qualification |
|---------------|--|
| Nuada Limited | a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, |

Nuada Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice, opinion and/or reports and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Nuada Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020 being the date to which the latest published audited consolidated accounts of the Group were made up.

8. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.silkroadlogistics.com.hk) from the date of this circular up to and including the date of the SGM:

- (i) the Loan Agreement;
- (ii) the Share Charge; and
- (iii) the Deed of Assignment.

Set out below are the biographical details of the new Directors:

NON-EXECUTIVE DIRECTOR**Mr. Ouyang Nong**

Mr. Ouyang, aged 61, was appointed a non-executive Director on 29 September 2021. He graduated from Zhongnan University of Economics and Law with a master's degree in finance. He worked with Agricultural Bank of China for years during which he had served as a manager of Foreign Exchange and International Business Department as well as a head of Non-performing Assets Preservation Department in Agricultural Bank of China (Hubei Branch), and a general manager of China Agricultural Finance (Macau) Co., Ltd. He then worked with China Great Wall Asset Management Co. Ltd, served in the Hubei branch office of the corporation as a head of General Management Department and a head of Asset Management Department, served as the deputy general manager of the Henan branch office of China Great Wall Asset Management Co. Ltd. He served also as a general manager of China Great Wall AMC (International) Holdings Co., Ltd and a chief supervisor of Great Wall Guorong Investment Management Co., Ltd.

Mr. Ouyang Nong has been working in the finance field for a long period of time, specializing in, among others, credit management, mergers, acquisitions and restructuring of assets, disposal of non-performing assets and regulatory compliance. He has gained a vast knowledge of finance and a wide experience of corporate operations and management.

Mr. Ouyang has entered into a service agreement with the Company for a term of three years and is subject to retirement by rotation in accordance with the Bye-Laws of the Company and the Listing Rules. The service agreement can be terminated by either party by giving the other party one month's written notice in advance or otherwise in accordance with the terms of the service agreement. Pursuant to the service agreement, Mr. Ouyang is entitled to a director's fee of HK\$1.00 per annum and he may be granted a bonus of not more than HK\$150,000 per annum for each financial year of the Company which is determined by the Board with reference to his duties and responsibilities within the Company, the Company's remuneration policy and the prevailing market conditions.

Mr. Ouyang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date. Mr. Ouyang does not hold any other positions in the Company and its subsidiaries, and does not have any relationship with any Directors, senior management or substantial shareholders of the Company. As at the Latest Practicable Date, Mr. Ouyang does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the Company is not aware of any matters that needs to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Ouyang and there is no other information which is required to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Wai Chung Edmund

Mr. Chen, aged 49, was appointed an independent non-executive Director, the chairman of the audit committee, a member of each of the remuneration committee and the nomination committee on 29 September 2021. He has over 24 years of solid experiences in business management, auditing, accounting, internal control and investment planning. Mr. Chen had worked as senior management positions for various international accounting firms and listed companies in Hong Kong including KPMG HK and KPMG Huazhen, Kimou Environmental Holding Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6805)), China Regenerative Medicine International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 8158)) and Legend Strategy International Holdings Group Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1355)). He was also the vice president and the company secretary of Austar Lifesciences Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6118)).

Mr. Chen was an independent non-executive director of Mason Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 273) from July 2017 to March 2020 and Huarong International Financial Holdings Limited (formerly known as Simsen International Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 993) from July 2013 to October 2015. He was a non-executive director of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 8226) from November 2014 to January 2016.

Mr. Chen holds a bachelor's degree in accountancy from the City University of Hong Kong. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants.

Mr. Chen has entered into a service agreement with the Company for a term of three years, and is subject to retirement by rotation in accordance with the Bye-Laws of the Company and the Listing Rules. The service agreement can be terminated by either party by giving the other party one month's written notice in advance or otherwise in accordance with the terms of the service agreement. Mr. Chen is entitled to remuneration of HK\$150,000 per annum, which is determined with reference to his duties and responsibilities within the Company, the Company's remuneration policy and the prevailing market conditions. Mr. Chen is not entitled to any bonus payment by the Company.

Save as disclosed above, Mr. Chen has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date. Mr. Chen does not hold any other positions in the Company and its subsidiaries and does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Chen does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the Company is not aware of any matters that needs to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Chen and there is no other information which is required to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules.

Ms. Ang Mei Lee Mary

Ms. Ang, aged 58, was appointed an independent non-executive Director, a member of each of the audit committee, the remuneration committee and the nomination committee on 14 December 2021. She obtained her diploma in accounting from City Polytechnic of Hong Kong (currently known as City University of Hong Kong). She is also an Accredited Accounting Technician (AAT) in Hong Kong and qualified with Association of Chartered Certified Accountants (ACCA) Diploma level 2. Ms. Ang has 23 years of experience as a professional auditor in Anthony Lui & Co, CPA and Fung & Lui, CPA. She also has extensive experience in company management and business operations.

Ms. Ang served as an executive director of Hong Kong Resource Holdings Limited (stock code: 2882) from August 2008 to October 2008, an executive director of Zhidao International (Holdings) Limited (stock code: 1220) from September 2008 to January 2012, and a non-executive director of Hifood Holdings Co., Limited (stock code: 442) from July 2021 to November 2021, all companies are listed on the Main Board of the Stock Exchange. Ms. Ang was a non-executive director of Freeman Fintech Corporation Limited (now known as Arta Techfin Corporation Limited, “Arta”, stock code: 279) from December 2020 to October 2021. As stated in the announcements of Arta, provisional liquidators of Arta were appointed from 28 February 2020 to 31 October 2021 (both days inclusive). The petition for winding up of Arta was dismissed pursuant to the order granted by the High Court of Hong Kong on 4 October 2021 and the appointment of the Provisional Liquidators was discharged 1 November 2021. Ms. Ang informed that she was appointed as a non-executive director of Arta after the appointment of provisional liquidator and suspension of trading of its shares on the Stock Exchange. There was no wrongful act on her part leading to the appointment of provisional liquidators of Arta.

Ms. Ang has entered into a service agreement with the Company for a term of one year, she is subject to retirement by rotation in accordance with the Bye-Laws and the Listing Rules. The service agreement can be terminated by either party by giving the other party one month's written notice in advance or otherwise in accordance with the terms of the service agreement. Ms. Ang is entitled to remuneration of HK\$150,000 per annum, which is determined with reference to her duties and responsibilities within the Company, the Company's remuneration policy and the prevailing market conditions. Ms. Ang is not entitled to any bonus payment by the Company.

Save as disclosed above, Ms. Ang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date. Save as disclosed Ms. Ang does not hold any other positions in the Company and its subsidiaries, and does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Ang does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the Company is not aware of any matters that needs to be brought to the attention of the shareholders of the Company in relation to the re-election of Ms. Ang and there is no other information which is required to be disclosed pursuant to any of the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules.



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 IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Silk Road Logistics Holdings Limited (the “**Company**”) will be held at Former Taihe Factory, Dongtai Village, Machong Town, Dongguan City, Guangdong Province, People’s Republic of China (transliteration of 中國廣東東莞市麻涌鎮東太村太和建材廠舊址) at 11:00 a.m. on Tuesday, 19 April 2022, for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

subject to the fulfilment of the terms and conditions set out in the loan agreement dated 27 January 2022 (the “**Loan Agreement**”) entered into between the Company and Yick Chuen Credit Limited (“**Yick Chuen**”) (a copy of the Loan Agreement together with the security documents, including the share charge and the deed of assignment by way of security, having been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) in respect of the provision of the Loan up to the maximum loan amount of HK\$10,000,000 from Yick Chuen to the Company in four tranches for a term commencing from the respective Drawdown Dates and expiring on the second anniversary of the respective Drawdown Dates at an interest rate of 10% per annum:

- (i) the Loan Agreement and the transactions contemplated thereunder, including the execution of the security documents, be and are hereby approved, confirmed and ratified;
- (ii) the share charge to be executed by City Joint Investments Limited (“**City Joint**”), a wholly-owned subsidiary of the Company, in favour of Yick Chuen, and the transactions contemplated thereunder including any possible enforcement by Yick Chuen of the share charge in the event of default on the part of the Company or City Joint, be and are hereby approved and confirmed; and

NOTICE OF THE SGM

- (iii) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Loan Agreement and the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the Loan Agreement and any other transactions contemplated under or incidental to the Loan Agreement”

2. “THAT

- (i) Mr. Ouyang Nong be re-elected as a non-executive Director;
- (ii) Mr. Chen Wai Chung Edmund be re-elected as an independent non-executive Director;
- (iii) Ms. Ang Mei Lee Mary be re-elected as an independent non-executive Director; and
- (iv) the board of Directors be authorised to fix the Directors’ remuneration.”

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

Hong Kong, 18 March 2022

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

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

Notes:

1. In view of the current COVID-19 situation in Hong Kong and the epidemic controlling measures announced by the Hong Kong Special Administrative Region Government such as the enhanced social distancing, the SGM will be (1) conducted in the PRC by the chairman of the SGM who will be physically present at the meeting venue together with the minimum number of persons as is legally required to form a quorum, subject to the relevant social-distancing policies in the PRC (if any), and (2) real-time broadcasted to the members at <https://voovmeeting.com/dm/tfPrNmGGHRX6> (meeting ID: 870-087-129) on 19 April 2022. The SGM shall be deemed to take place at the meeting venue.
2. A member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company. 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. **Should you wish to vote on any resolution of the SGM, you are recommended to appoint the chairman of the SGM as proxy** to exercise the right to vote at the SGM in accordance with your instructions by completing and returning a form of proxy.

NOTICE OF THE SGM

3. A form of proxy for use at the Meeting is enclosed herewith. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
4. 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 notarially certified copy of that power or authority, at the Company's branch registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from joining the online real-time broadcast of the SGM or any adjournment thereof, should he/she/it so wish.
5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 12 April 2022 to Tuesday, 19 April 2022 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 April 2022.
6. In the case of joint holders of shares, any one of such persons may vote at the SGM, either personally or by proxy in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the SGM 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 to exclusion of the votes of the other joint holders.
7. Any voting at the Meeting shall be taken by poll.
8. In the case of any inconsistency between the Chinese translation and the English text hereof, the English text shall prevail.
9. PRECAUTIONARY MEASURES FOR THE MEETING

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the Meeting to protect attending shareholders, staff and stakeholders from the risk of infection: -

- (i) compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius or flu-like symptoms or is otherwise unwell may be denied entry into the SGM venue or be required to leave the meeting venue;
- (ii) compulsory wearing of a surgical face mask by all attendees prior to admission to the meeting venue and throughout the SGM;
- (iii) maintenance of a safe distance between seats, and the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding; and
- (iv) No refreshment, drinks or souvenirs will be served.

Subject to the development of the COVID-19 situation, the Company may implement revised or additional precautionary measures as and when appropriate.