

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



Silk Road Logistics Holdings Limited

絲路物流控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 988)

DISCLOSABLE TRANSACTION PROPOSED ACQUISITION OF SALE EQUITY INTEREST IN AN ASSOCIATE COMPANY

The Board announces that, on 19 April 2022, Boshu (Shanghai), an indirectly wholly-owned subsidiary of the Company, as transferee entered into the Agreement with the Transferor, pursuant to which Boshu (Shanghai) agreed to acquire from the Transferor the Sale Equity Interest at a consideration of RMB1,000,000, subject to the completion of the Loan Capitalisation.

As at least one of the applicable percentage ratios in respect of this transaction exceed 5% but are less than 25%, the transaction contemplated under the Agreement constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under the Listing Rules, but exempt from shareholders' approval requirements.

Since the completion of the Agreement is subject to satisfaction of the condition set out in the Agreement, the proposed Acquisition may or may not proceed. Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.

INTRODUCTION

The Board announces that, on 19 April 2022, Boshu (Shanghai), an indirectly wholly-owned subsidiary of the Company, as transferee entered into the Agreement with the Transferor, pursuant to which Boshu (Shanghai) agreed to acquire from the Transferor the Sale Equity Interest at a consideration of RMB1,000,000, subject to the completion the Loan Capitalisation.

AGREEMENT

The principal terms of the Agreement are summarised as follows:

| | |
|-----------------------|--|
| Date: | 19 April 2022. |
| Parties: | (1) Tianjin Huiliyuan International Trading Co., Ltd. [#] (天津匯力源國際貿易有限公司), as the transferor; and (2) Boshu (Shanghai), as the transferee. |
| Asset to be acquired: | the Sale Equity Interest, being 23.396% of the total equity interest in the Target Company as enlarged by the capital contribution after the Loan Capitalisation. |
| Consideration: | RMB1,000,000, to be settled by share dividends distributed by the Target Company to which Boshu (Shanghai) is entitled. |
| Conditions Precedent: | The obligation of the Transferor to transfer the Sale Equity Interest to Boshu (Shanghai) is conditional upon the completion of the Loan Capitalisation and the relevant industrial and commercial registration. |
| Loan Capitalisation: | Pursuant to the Loan Capitalisation, the Transferor will capitalise part of the debt in the sum of RMB65,647,400 owed by the Target Company to it and another creditor will capitalise all the debt in the sum of RMB30,000,000 owed by the Target Company to it for the same corresponding amount of capital contribution made by them to the Target Company. |

- Profit Guarantee:** Pursuant to the Agreement, the Transferor undertakes that for a period of 5 years from the completion date of the Loan Capitalisation, the dividend receivable by Boshu (Shanghai) in respect of its shareholding in the Target Company will be not less than HK\$4,000,000 annually. In the event that the dividend receivable by Boshu (Shanghai) is less than HK\$4,000,000 for a particular year, the Transferor shall compensate Boshu (Shanghai) the short-fall on dollar-for-dollar basis. The dividend shall be declared after each financial year ending 31 December and shall be payable on or before 30 June in the following financial year.
- Completion:** Upon completion of the Acquisition (assuming the Loan Capitalisation has taken place), the Target Company will remain as an associate of the Company.

INFORMATION ON THE PARTIES

The Transferor

The Transferor is a company established in the PRC and is a shareholder of the Target Company holding 20% of its total equity interest as at the date of this announcement. The Transferor is indirectly and ultimately owned as to approximately 95% by Mr. Chen Kai Mei and the remaining approximately 5% by two Independent Third Parties. The Transferor is principally engaged in import and export of commodities, sales of coal, metals and minerals, maintenance of electric appliances, property management, etc.. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save and except Mr. Cai Hanguang who is a director of our certain subsidiaries and the director of the Transferor, each of the Transferor and its ultimate beneficial owner is an Independent Third Party.

Boshu (Shanghai)

Boshu (Shanghai) is a company established in the PRC. Boshu (Shanghai) is an indirectly wholly-owned subsidiary of the Company, and is a shareholder of the Target Company holding 39% of its shares as at the date of this announcement. Boshu (Shanghai) is principally engaged in investment holding.

The Target Company

The Target Company is a company established in the PRC. As at the date of this announcement, the Target Company is owned as to 41% by a state-owned enterprise which is an Independent Third Party, as to 39% by Boshu (Shanghai) and as to 20% by the Transferor. The Target Company is an associate of the Group as at the date of this announcement. After the Loan Capitalisation, the Target Company will be owned as to 4.839% by a state-owned enterprise which is an Independent Third Party, as to 4.604% by Boshu (Shanghai) and as to 62.894% by the Transferor and 27.663% by the other creditor. The Target Company carries out the logistics and warehousing services in Wuhai city, the Inner Mongolia Autonomous Region, China.

Set out below is the audited/unaudited financial information of the Target Company 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) <i>HK\$'000</i> | For the year ended 31 December 2021 (unaudited) <i>HK\$'000</i> |
|-----------------|--|--|
| Revenue | 3,903 | 544 |
| Loss before tax | 2,918 | 5,112 |
| Loss after tax | 2,918 | 5,112 |

The unaudited net liabilities value of the Target Company as at 31 December 2021 was approximately RMB10,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Group acquired Boshu (Shanghai) and its holding companies in October 2015 at a consideration of HK\$150 million, and as a result, the Target Company, by being a 39%-controlled company of Boshu (Shanghai), became an associate of the Group. The Target Company has been loss-making consecutively since the year ended 31 December 2015, and as at 31 December 2021, the unaudited net liabilities of the Target Company was approximately RMB10,000. The Group's value of the investments in the Target Company was fully impaired due to the delay of operation and later minimal operation of the Target Company 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.

The Transferor and another company are two of the creditors of the Target Company. In order to settle the debts and to improve the financial position of the Target Company, the Transferor and the other creditor agreed that the Target Company may settle the debt by way of loan capitalisation for the new registered capital contribution. After the Loan Capitalisation, the Transferor and the other creditor will own approximately 62.894% and 27.663%, respectively, of the registered capital in the Target Company, while Boshu (Shanghai)'s shareholding will be diluted to approximately 4.604%.

Pursuant to the Agreement, the Transferor agreed to transfer to Boshu (Shanghai) the Sale Equity Interest after the Loan Capitalisation at a consideration of RMB1,000,000 which is determined based on arm's length negotiation between the Transferor and Boshu (Shanghai) and with reference to the future business prospect of the Target Company after the Loan Capitalisation, the Profit Guarantee and Boshu (Shanghai) has agreed to support the Loan Capitalisation which without the support of Boshu (Shanghai) could not be proceeded. The Directors consider that though the Group's shareholding in the Target Company will be diluted after the Loan Capitalisation, the balance sheet position of the Target Company would have been improved and so is the business prospect. Further, taking into account the Acquisition and the Profit Guarantee given by the Transferor under the Agreement, the Group's actual interest in the Target Group will not be materially affected.

When the Transferor lobbied Boshu (Shanghai) to approve the Loan Capitalisation, after arm's length negotiation, the Transferor and Boshu (Shanghai) agreed to transfer the Sale Equity Interest to Boshu (Shanghai) at a reasonable price to minimise the dilution effect on the Group's interest in the Target Company after the Loan Capitalisation. The consideration under the Acquisition payable by Boshu (Shanghai) for the Sale Equity Interest is much lower than acquisition price of the Transferor pursuant to the Loan Capitalisation. The Directors consider that the Acquisition is on better commercial terms and is fair and reasonable and in the interests of the Target Company, the Group 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 Agreement, or was otherwise required to abstain from voting on the relevant resolution(s) of the Board.

LISTING RULES IMPLICATIONS

As at least one of the applicable percentage ratios in respect of this transaction exceed 5% but are less than 25%, the transfer of equity interest in the Target Company from the Transferor to Boshu (Shanghai) under the Agreement constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules. Hence, it is subject to reporting and announcement requirements under the Listing Rules but exempt from shareholders' approval requirements.

Since the completion of the Agreement is subject to satisfaction of the condition set out in the Agreement, the proposed Acquisition may or may not proceed. Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

Unless otherwise stated or the context requires otherwise, the terms in this announcement have the following meanings:

| | |
|--------------------|--|
| “Acquisition” | the acquisition of the Sale Equity Interest in the Target Company (as enlarged by the Loan Capitalisation) pursuant to the Agreement |
| “Agreement” | the equity transfer agreement dated 19 April 2022 entered into between the Transferor and Boshu (Shanghai) in relation to the transfer of the Sale Equity Interest |
| “Boshu (Shanghai)” | Boshu (Shanghai) Trading Company Limited# 博屬(上海)貿易有限公司, a company established in the PRC, a indirectly wholly-owned subsidiary of the Company |
| “Board” | the board of Directors |
| “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 |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Parties“ | third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Capitalisation” | capitalisation of the debt owed to the Transferor and another creditor by the Target Company for the capital contribution of 95,647,400 to Target Company |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Profit Guarantee” | the profit guarantee given by the Transferor in favour of Boshu (Shanghai) under the paragraph headed "Agreement - Profit Guarantee" in this announcement |
| “Sale Equity Interest” | 23.396% of the equity interest in the Target Company as enlarged by capital contribution under the Loan Capitalisation |
| “Share(s)” | shares of HK\$0.1 each in the share capital of the Company |
| “Shareholders” | holder of the issued Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

| | |
|------------------|--|
| “Target Company” | 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% and 20% of the equity interest of which is owned by Boshu (Shanghai) and the Transferor, respectively, as at the date of this announcement |
| “Transferor” | Tianjin Huiliyuan International Trading Co., Ltd. [#] 天津匯力源國際貿易有限公司, a company established in the PRC with limited liability. |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent. |

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

Hong Kong, 19 April 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cheung Ngai Lam and Mr. Chung Wai Man; a non-executive Director, namely Mr. Ouyang Nong; and four independent non-executive Directors, namely Ms. Choy So Yuk, Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary.

[#] The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.