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Silk Road Energy Services Group Limited

絲路能源服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8250)

ANNOUNCEMENT CHANGE IN USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

References are made to the announcements of Silk Road Energy Services Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) dated 8 April and 21 April 2016 (the “**Announcements**”) in relation to the 2016 Placing and the annual report of the Company for the year ended 30 June 2022 (the “**2022 Annual Report**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Announcements and the 2022 Annual Report.

CHANGE IN USE OF PROCEEDS

The net proceeds raised from the 2016 Placing were approximately HK\$201.2 million. As at the date of this announcement, the Company applied approximately HK\$121 million of the proceeds for the Intended Purposes and the remaining Unutilised Proceeds from the 2016 Placing of approximately HK\$80 million was deposited in banks and remained unutilised.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has proposed to reallocate the use of the Unutilised Proceeds as follows:

- (i) approximately HK\$38 million of the Unutilised Proceeds for working capital purpose,
- (ii) approximately HK\$22 million of the Unutilised Proceeds will be applied towards paying up the registered share capital of two wholly-owned subsidiaries of the Company in the PRC which are principally engaged in conducting trading of high-quality agricultural products such as sugar, and fresh produce products such as living pigs and cattle; and

(iii) approximately HK\$20 million of the Unutilised Proceeds will be applied towards the operation of the Company's fruit trading business.

(collectively the “**Revised Allocation**”)

Details of the original allocation and utilisation of the net proceeds from the 2016 Placing and the Revised Allocation are set out below:

Use of Proceeds	Original Allocation <i>HK\$'million</i>	Amount utilised as at 30 June 2022 <i>HK\$'million</i>	Unutilised Proceeds as at the date of this announcement <i>HK\$'million</i>	Revised Allocation <i>HK\$'million</i>	Expected total Allocation <i>HK\$'million</i>
Provision of heat supply services by clean energy					
(i) Investment in the joint ventures for the provision of heat supply services		35			35
(ii) capital expenditure such as purchase heat supply equipment and carrying out construction works and		34			34
(iii) operation cost of the joint ventures		11			11
Sub-total	160	80	80	(80)	80
General Working Capital (<i>Note 1</i>)	41	41	–	38	79
Fresh Produce and agricultural products Trading (<i>Note 2</i>)					
(i) Paying up the registered share capital of PRC subsidiaries for trading of fresh produce and agricultural products	–	–	–	22	22
(ii) Operation of fruit trading business	–	–	–	20	20
Total	<u>201</u>	<u>121</u>	<u>80</u>		<u>201</u>

Note 1: the Unutilised Proceeds is expected to be used by 30 November 2023

Note 2: the Unutilised Proceeds is expected to be used by 30 April 2023

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF THE PROCEEDS

The Group is principally engaged in (i) trading of fresh produce and agricultural products, (ii) provision of coal mining and construction services, (iii) provision for heating supply services and (iv) provision of money lending services.

Although the provision of heating supply service remains one of the Group's principal business, owing to the ongoing geopolitical conflicts and interest rate hikes by the Federal Reserve, the high volatility in prices of natural gas is expected to continue in foreseeable future. Whereas the Group has benefited from subsidy from the Chinese government to the heat supply industry, the Board considers that the inherent uncertainties of the industry is likely to impact on the profitability of the provision of heating supply service of the Group and is of the view that any further investment in this business may not be in the best interest of the Company and its shareholders as a whole. On the other hand, as disclosed in the 2022 Annual Report, the Board has identified a growing demand for high-quality fresh produce and agricultural products in the PRC due to growing purchaser power and rising living standard in the PRC. The Board is therefore optimistic about the prospect of the business of fresh produce and agricultural products trading and expects the business segment to contribute a stable income to the Group. Therefore, the Board is of the view that reallocating the Unutilised Proceeds to fresh produce and agricultural products trading to establish the Group's presence in the market and to capture business opportunities will create greater value to shareholders of the Company as compared to the original allocation to make further investment in the provision of heating supply service.

The Revised Allocation is expected to be a more efficient and effective use of the Unutilised Proceeds and will generate better investment returns and it is also in line with the Group's strategy to diversify its business to generate more profit in the long run. Hence, the Board considers that the Revised Allocation is in the interests of the Company and its shareholders as a whole.

By order of the Board
Silk Road Energy Services Group Limited
Cai Da
Co-Chairman

Hong Kong, 15 November 2022

As at the date of this announcement, the Board of the Company, comprises (i) four executive directors, namely Mr. Cai Da, Mr. Li Xianghong, Mr. Li Wai Hung and Mr. Wang Tong Tong; and (ii) four independent non-executive directors, namely Ms. Wong Na Na, Mr. Wang Zhixiang, Mr. Huang Tinhua and Ms. Lei Ming.

This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at <http://www.silkroadenergy.com.hk>.