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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARY

On 12 March 2024 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire 100% of the equity interest in the Target Company in accordance with the terms of the Equity Transfer Agreement.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 12 March 2024 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire 100% of the equity interest in the Target Company in accordance with the terms of the Equity Transfer Agreement.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date: 12 March 2024 (after trading hours), the Equity Transfer Agreement shall become effective upon execution by the Purchaser and the Vendor.

Parties: (i) the Vendor; and
(ii) the Purchaser.

Subject matter of the Disposal: 100% of the equity interest in the Target Company

Consideration and Payment Terms: The Consideration for the Disposal is RMB8.95 million (equivalent to approximately HK\$9.76 million).

The Consideration shall be settled by the Purchaser in cash within five working days from the Completion Date.

Condition Precedent: Completion is conditional upon the fulfilment and/or waiver of, as the case may be, the following conditions precedent:

- (i) the Equity Transfer Agreement having been executed by the Purchaser and the Vendor and having become effective;
- (ii) as at the effective date of the Equity Transfer Agreement, the Vendor has not taken any action which may reasonably give rise to material adverse effect on the legality and validity of the continuing registration of the Target Company; and
- (iii) as at the effective date of the Equity Transfer Agreement, the Vendor has not taken any action which may give rise to material adverse effect on the financial position, business, assets, operation, ownership or control of the Target Company.

The Purchaser, at its absolute discretion, may waive any of the conditions precedent above by notice in writing.

Completion: Completion shall take place on the date on which all conditions precedent having been fulfilled (or waived, as the case may be).

Within five working days from the Completion Date, the Vendor and the Purchaser shall sign all relevant documents for the industrial and commercial registration of changes to enable the Target Company to submit the said documents for registration. The Vendor undertakes that the Target Company shall submit the relevant documents for the industrial and commercial registration of changes for the change in shareholder with the relevant authority within five working days of receipt of the said documents.

The Vendor and the Purchaser shall perform their respective obligation under the Equity Transfer Agreement to ensure the industrial and commercial registration of changes for the change in shareholder of the Target Company will be completed within 20 working days (or such longer period to be agreed by the Vendor and Purchaser in the event that the delay is due to policy reason or reason unrelated to the Vendor and the Purchaser). Upon completion of the industrial and commercial registration of changes for the change in shareholder of the Target Company, the Vendor will cease to hold any interest in the Target Company.

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the financial position of the Target Company, the relevant valid licenses obtained and possessed by the Target Company in relation to the business of provision of coal mining services and the reasons for and benefits of the Disposal as disclosed in the section "Reasons for and Benefits of Entering into the Equity Transfer Agreement" below.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of coal mining services and construction services.

Set out below is the unaudited financial information of the Target Company for the financial years ended 30 June 2022 and 30 June 2023 respectively and the eight months ended 29 February 2024, prepared in accordance with Hong Kong Financial Reporting Standards:

	For the eight months ended 29 February 2024 RMB'000	For the year ended 30 June 2023 RMB'000	For the year ended 30 June 2022 RMB'000
Revenue	69,385	113,123	64,412
Operating (Loss) before reversals of impairment losses, net and taxation	(8,252)	(15,044)	(7,627)
Net (Loss)/Profit before taxation	(8,252)	(5,793)	12,465

As at 29 February 2024 and 30 June 2023, based on the unaudited management accounts of the Target Company, the Target Company had net liability of approximately RMB10.20 million (equivalent to approximately HK\$11.12 million) and RMB1.95 million (equivalent of approximately HK\$2.13 million respectively).

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Earning

For illustrative purpose, the Group is expected to recognise a gain of approximately RMB19.15 million (equivalent to approximately HK\$20.87 million), which is calculated based on the Consideration and the net liability of the Target Company as at 29 February 2024. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to the review and audit by the auditors of the Company.

Assets and Liabilities

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

Intended Uses of the Proceeds

Based on the Consideration and the associated cost of the Disposal, the Group is expected to receive a net proceed of RMB8.95 million (equivalent to approximately HK\$9.76 million) from the Disposal. The Group intends to use the net proceeds of the Disposal for general working capital and general trading.

REASONS FOR AND BENEFITS OF ENTERING THE EQUITY TRANSFER AGREEMENT

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

The Group has been carrying out the coal mining service business through the Target Company. As disclosed in the Company's interim report for the six months ended 31 December 2023, one of the Group's management contracts for the provision of coal-mining services and construction works was terminated in December 2023. Hence, the Group currently only has one remaining customer in the relevant business segment. Coupled with the challenges of increasing production costs, intense market competition and strict regulations imposed by the PRC government and the thin profit margin of the remaining management contract, the Group expects the revenue from the relevant business segment will decrease and the segment is likely to incur losses in the foreseeable future.

After reviewing the business performance and prospect of the Target Company and in light of the highly competitive market for coal-mining and construction services, the Board considers that the Disposal represents a good opportunity to streamline its core businesses and commit the financial resources of the Group to prospective businesses with higher growth potential, thereby achieving more stable long-term income for the Group and creating greater benefits for its shareholders.

Having considered the aforesaid reasons, the Directors are of the view that the terms of the Equity Transfer Agreement and the Disposal are negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

The Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. Its subsidiaries are principally engaging in the (i) provision of coal mining services; (ii) provision for heating supply services; (iii) provision of money lending services; and (iv) trading of fresh produce and agricultural products and general trading.

The Vendor, an indirect wholly-owned subsidiary of the Company, is a company established under the laws of PRC with limited liability and is principally engaged in investment holding.

The Purchaser is a company established under the laws of PRC with limited liability and is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser is wholly owned by HK FYU Trading Limited (a company incorporated in Hong Kong with limited liability) which in turn is, wholly owned by Mr. Liu Hetian* (劉赫天). Mr. Liu Hetian and his family is experienced in provision of upstream and downstream service to the coal mining production chain including leasing of machinery.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, HK FYU Trading Limited and Mr. Liu Hetian are Independent Third Parties.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Silk Road Energy Services Group Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on GEM (stock code: 8250)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the date on which all conditions precedent of the Equity Transfer Agreement have been fulfilled or waived, as the case may be
“Consideration”	the consideration of the Disposal of RMB8.95 million (equivalent to approximately HK\$9.76 million) payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement

“Director(s)”	director(s) of the Company
“Disposal”	transfer of 100% equity interest of the Target Equity from the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 12 March 2024 entered into between the Vendor and the Purchaser
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	Any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“PRC”	People’s Republic of China (excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement)
“Purchaser”	Feiyue Trading (Shenzhen) Limited* (非越貿易(深圳)有限公司), a company established under the laws of PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ordos City Taipu Mining Construction Limited* (鄂爾多斯市泰普礦業工程有限責任公司), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Vendor” Shenzhen Jinquan Consultancy Limited* (深圳金泉諮詢有限公司), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent

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

Hong Kong, 12 March 2024

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

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.

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.09 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such a rate.

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>.