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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)

PROPOSED CAPITAL REORGANISATION

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The Board proposes to implement the Capital Reorganisation which will involve the following:

- (1) the proposed Capital Reduction whereby the issued share capital of the Company will be reduced by the cancellation of HK\$0.04 paid-up capital on each issued Share such that the par value of each issued Share will be reduced from HK\$0.05 to HK\$0.01;
- (2) the proposed Share Premium Cancellation whereby upon the Capital Reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company will be cancelled; and
- (3) the credit arising from the Capital Reduction and Share Premium Cancellation will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

GENERAL

An EGM will be convened and held for the purpose of considering and, if thought fit approving, among other things, the Capital Reorganisation. The circular containing, inter alia, (i) further details of the Capital Reorganisation; and (ii) a notice convening the EGM will be despatched to the Shareholders on or before 13 November 2020.

WARNING

Shareholders and potential investors should note that the Capital Reorganisation is conditional upon satisfaction of conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” in this announcement. Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

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Effect of the Capital Reorganisation

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.05 per Share	HK\$0.01 per New Share
Authorised share capital	HK\$1,500,000,000 divided into 30,000,000,000 Shares	HK\$1,500,000,000 divided into 150,000,000,000 New Shares
Number of issued shares	7,492,562,338 Shares	7,492,562,338 New Shares
Amount of the issued share capital	HK\$374,628,116.90	HK\$74,925,623.38
Number of unissued shares	22,507,437,662 Shares	142,507,437,662 New Shares
Amount of unissued share capital	HK\$1,125,371,883.10	HK\$1,425,074,376.62

According to the Annual Report of the Company for the year ended 30 June 2020 (the “**Annual Report**”), the share premium account of the Company amounted to approximately HK\$651.9 million as at 30 June 2020. Based on the number of Shares in issue as at the date of this announcement, as a result of the Capital Reduction, a credit of approximately HK\$299.7 million will arise in the books of the Company. The credit arising from the Capital Reduction and Share Premium Cancellation will be applied to set-off the accumulated losses of the Company as at the effective date of the Capital Reorganisation. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and rules and the memorandum and articles of association of the Company and as the Board considers appropriate. According to the Annual Report, the total accumulated losses of the Company was approximately HK\$660.0 million as at 30 June 2020.

All New Shares in issue will rank *pari passu* in all respects with each other. Save for the application of the credit arising from the Capital Reduction and Share Premium Cancellation towards offsetting the accumulated losses of the Company and expenses to be incurred in relation to the Capital Reorganisation, the Directors consider that the Capital Reorganisation will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders.

The Company has no outstanding share options, warrants and convertible securities as at the date of this announcement.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following conditions being fulfilled:

- (i) the passing of necessary resolution(s) to approve the Capital Reorganisation by the Shareholders at the EGM;
- (ii) the Court granting an order confirming the Capital Reduction;
- (iii) compliance with any terms and conditions which the Court may impose in relation for the Capital Reduction to be effective;
- (iv) the registration by the Registrars of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction; and
- (v) the Listing Committee granting the approval for the listing of, and the permission to deal in, the New Shares upon the Capital Reorganisation becoming effective.

The Capital Reorganisation shall become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisors to the Company (as to the Cayman Islands Law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) (if any) will be made to inform the Shareholders of the progress of the matter as and when appropriate.

Reasons for the Capital Reorganisation

The credit arising from the Capital Reduction and Share Premium Cancellation will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reorganisation, thereby reducing the accumulated losses of the Company.

Under the Companies Law, the Company is not permitted to issue new shares at a price lower than the par value unless with the sanction of the Court. The Capital Reduction will provide the Company with greater flexibility to accommodate the issue of new shares in future when necessary.

As such, the Board is of the view that the Capital Reorganisation is beneficial to and in the interests of the Company and Shareholders as a whole.

Application for listing of the New Shares

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free Exchange of Certificates for New Shares

As the Court hearing date(s) has yet to be fixed, the effective date of the Capital Reduction is not ascertainable at present. Should the Capital Reduction become effective, Shareholders may submit existing certificates for the Shares (in brown colour) to the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reduction, for certificates for the New Shares in pink colour. Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction is ascertained.

All existing certificates of the Shares will continue to be evidence of title and may be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever is higher, but are not acceptable for trading, settlement and registration.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below:

Event	Date
Expected date of despatch of the circular and the notice of the EGM	Friday, 13 November 2020
Latest date and time for lodging transfer of Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Thursday, 10 December 2020
Closure of register of members of the Company for transfer of Shares to determine the right to attend and vote at the EGM (both days inclusive)	Friday, 11 December 2020 to Wednesday, 16 December 2020
Latest time for return of proxy form of the EGM (not less than 48 hours prior to time of the EGM)	10:45 a.m. on Monday, 14 December 2020
Record date for attendance and voting at the EGM	Wednesday, 16 December 2020
Expected date and time of the EGM	10:45 a.m. on Wednesday, 16 December 2020
Announcement of results of the EGM	Wednesday, 16 December 2020

The following events are conditional on the poll results of the EGM, and the timetable/availability of and compliance with any requirements imposed by the Court. The date is therefore tentative.

Effective date of the Capital Reorganisation (Assume three months from the date of EGM)	Tuesday, 16 March 2021
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Notes:

- (1) All times and dates in this announcement refer to Hong Kong local times and dates.*
- (2) Dates or deadlines specified in this announcement are indicative only. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.*

GENERAL

An EGM will be held for the purpose of considering and, if thought fit approving, among other things, the Capital Reorganisation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as no Shareholder has a material interest in the Capital Reorganisation, no Shareholder is required to abstain from voting on the resolution in relation to the Capital Reorganisation to be proposed at the EGM.

The circular containing, inter alia, (i) further details of the Capital Reorganisation; and (ii) a notice convening the EGM will be despatched by the Company to the Shareholders on or before Friday, 13 November 2020.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the reduction of the share capital of the Company by the cancellation of HK\$0.04 paid-up capital on each issued Share such that the par value of each issued Share shall be reduced from HK\$0.05 to HK\$0.01 each
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Capital Reduction and the Share Premium Cancellation
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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)
“Court”	The Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Capital Reorganisation and the transactions contemplated thereunder
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules

“New Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company immediately after the Capital Reorganisation becoming effective
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office in Hong Kong of the Company
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company as at the date hereof and before the Capital Reorganisation becoming effective
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Shareholder(s)”	holder(s) of the Share(s) or New Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 23 October 2020

As at the date of this announcement, the Board of the Company, comprises (i) five executive directors, namely Mr. Cai Da, Mr. Li Xianghong, Mr. Chen Youhua, Mr. Li Wai Hung and Mr. Wang Tong Tong; and (ii) four independent non-executive directors, namely Ms. Wong Na Na, Mr. Wang Zhixiang, Ms. Feng Jibei and Mr. Chen Xier.

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>.