



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2019

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange 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.

*This announcement, for which the directors (the “**Directors**”) of Silk Road Energy Services Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company announces herewith the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 31 March 2019, together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2019

		Three months ended 31 March		Nine months ended 31 March	
		2019	2018	2019	2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	62,786	65,355	234,185	218,503
Cost of sales and services provided		<u>(49,050)</u>	<u>(53,147)</u>	<u>(179,276)</u>	<u>(171,798)</u>
Gross profit		13,736	12,208	54,909	46,705
Other income		3,086	(211)	11,173	5,480
Other gains and losses	4	1,319	(619)	(1,713)	(5,026)
Administrative and other operating expenses		(15,831)	(19,266)	(56,075)	(58,096)
Impairment loss recognised in respect of loan receivable		–	–	–	(1,088)
Gain (loss) on disposal of subsidiaries		175	–	175	(1,016)
Finance costs	6	<u>(1,683)</u>	<u>(1,605)</u>	<u>(5,140)</u>	<u>(4,815)</u>
Profit (loss) before tax		802	(9,493)	3,329	(17,856)
Income tax (expenses) credit	7	<u>(1,643)</u>	<u>945</u>	<u>(5,175)</u>	<u>364</u>
Loss for the period	5	<u>(841)</u>	<u>(8,548)</u>	<u>(1,846)</u>	<u>(17,492)</u>
(Loss) profit for the period attributable to:					
– Owners of the Company		(959)	(8,425)	(1,969)	(17,535)
– Non-controlling interests		<u>118</u>	<u>(123)</u>	<u>123</u>	<u>43</u>
		<u>(841)</u>	<u>(8,548)</u>	<u>(1,846)</u>	<u>(17,492)</u>
Loss per share (HK cents per share)	9	<u>(0.01)</u>	<u>(0.12)</u>	<u>(0.03)</u>	<u>(0.26)</u>

	Three months ended		Nine months ended	
	31 March		31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income (expense)				
for the period, net of tax				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>11,330</u>	<u>24,709</u>	<u>(4,918)</u>	<u>43,499</u>
Total comprehensive income (expense) for the period, net of income tax:	<u>10,489</u>	<u>16,161</u>	<u>(6,764)</u>	<u>26,007</u>
Total comprehensive income (expense) for the period attributable to:				
– Owners of the Company	<u>10,371</u>	<u>16,284</u>	<u>(6,887)</u>	<u>25,822</u>
– Non-controlling interests	<u>118</u>	<u>(123)</u>	<u>123</u>	<u>185</u>
	<u>10,489</u>	<u>16,161</u>	<u>(6,764)</u>	<u>26,007</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 July 2018 (Audited)	374,628	651,897	(16,909)	—	(477,165)	532,451	(59)	532,392
(Loss) profit for the period	—	—	—	—	(1,969)	(1,969)	123	(1,846)
Exchange differences on translating foreign operations	—	—	(4,918)	—	—	(4,918)	—	(4,918)
Total comprehensive (expense) income for the period	—	—	(4,918)	—	(1,969)	(6,887)	123	(6,764)
Safety reserve for provision of coal mining services	—	—	—	981	—	981	—	981
Balance at 31 March 2019 (Unaudited)	<u>374,628</u>	<u>651,897</u>	<u>(21,827)</u>	<u>981</u>	<u>(479,134)</u>	<u>526,545</u>	<u>64</u>	<u>526,609</u>

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 July 2017 (Audited)	342,728	652,695	(29,998)	(401,444)	563,981	14,620	578,601
(Loss) profit for the period	—	—	—	(17,535)	(17,535)	43	(17,492)
Other comprehensive income for the period	—	—	43,357	—	43,357	142	43,499
Total comprehensive income (expense) for the period	—	—	43,357	(17,535)	25,822	185	26,007
Disposal of a subsidiary	—	—	30	—	30	(15,209)	(15,179)
Balance at 31 March 2018 (Unaudited)	<u>342,728</u>	<u>652,695</u>	<u>13,389</u>	<u>(418,979)</u>	<u>589,833</u>	<u>(404)</u>	<u>589,429</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, and its shares are listed on GEM.

The Company is an investment holding company. Its subsidiaries were principally engaged in the (i) provision of coal mining services; (ii) provision for heating supply services; (iii) trading of mineral products and (iv) provision of money lending services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the nine months ended 31 March 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated results have been prepared under the historical cost basis except for certain financial instruments which are measured at their fair values.

Save as disclosed the new adopted revised amendments in the interim report for the period ended 31 December 2018, the accounting policies and methods of computation applied in preparation of the unaudited condensed consolidated results for the nine months ended 31 March 2019 are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 30 June 2018.

3. REVENUE

Revenue represents revenue arising on sale of goods and services rendered, net of sales related taxes, where applicable. An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of coal mining construction engineering, mechanical equipment installation and coal production and technical services	54,776	57,458	215,677	200,686
Provision of heating supply services	3,638	4,200	5,921	6,247
Interest income from money lending services	4,372	3,697	12,587	11,570
	<u>62,786</u>	<u>65,355</u>	<u>234,185</u>	<u>218,503</u>

4. OTHER GAINS AND LOSSES

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value changes on held-for-trading investments	798	(619)	1,274	(5,026)
Fair value changes on financial assets designated fair value through profit or loss	521	—	(2,987)	—
	<u>1,319</u>	<u>(619)</u>	<u>(1,713)</u>	<u>(5,026)</u>

5. LOSS FOR THE PERIOD

The Group's loss for the period has been arrived at after charging:

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,624	2,363	5,622	6,753
Amortisation of intangible assets	<u>2,134</u>	<u>7,970</u>	<u>11,694</u>	<u>23,098</u>

6. FINANCE COSTS

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on discounted bills	–	–	91	–
Imputed interest on promissory notes	1,683	1,605	5,049	4,815
	<u>1,683</u>	<u>1,605</u>	<u>5,140</u>	<u>4,815</u>

7. INCOME TAX EXPENSES (CREDIT)

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong	166	(449)	496	181
– People's Republic of China ("PRC")	2,010	1,371	7,602	5,702
Deferred tax credit	(533)	(1,867)	(2,923)	(6,247)
	<u>1,643</u>	<u>(945)</u>	<u>5,175</u>	<u>(364)</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

Subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2019 (2018: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>(959)</u>	<u>(8,425)</u>	<u>(1,969)</u>	<u>(17,535)</u>
	Number of Shares '000	Number of Shares '000	Number of Shares '000	Number of Shares '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>7,492,562</u>	<u>6,854,562</u>	<u>7,492,562</u>	<u>6,854,562</u>

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2018 and 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the nine months ended 31 March 2019 (the “Period”), the Group recorded a revenue of approximately HK\$234.19 million (2018: HK\$218.50 million), representing an increase of 7.18% as compared with that of the corresponding period in 2018. The increase in revenue was mainly due to the increase in agreed price on output. The Group’s gross profit for the Period increased by 17.57% to approximately HK\$54.91 million (2018: HK\$46.71 million) and the gross profit margin increased from 21.37% to 23.45% for the Period. The increases in gross profit was in line with the increase in revenue.

During the Period, the Group recorded other income in the amount of approximately HK\$11.17 million (2018: HK\$5.48 million), principally represented the income from leasing of machinery for providing coal mining service and subsidy from government for providing heating supply services. The Group recorded a loss of approximately HK\$1.71 million (2018: HK\$5.03 million) of other gains and losses. The decrease of loss on other gains and losses was primarily due to the decrease of loss arising on changes in fair value of the listed securities (including financial assets at fair value through profit or loss and investments held for trading) held by the Group. The Group recorded administrative and other operating expenses of approximately HK\$56.08 million (2018: HK\$58.10 million) for the Period, did not materially change compared to the corresponding period in 2018. The Group recorded finance costs of HK\$5.14 million (2018: HK\$4.82 million) for the Period, did not materially change compared to the corresponding period in 2018. The income tax credit changed from HK\$0.36 million for the period ended 31 March 2018 to income tax expenses of HK\$5.18 million for the Period which was mainly due to the increase in operating profits and decrease in deferred taxation written back.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$1.97 million (2018: HK\$17.54 million).

Provision of coal mining services

During the Period, the Group provided coal mining services to five coal mines, in which one coal mine suspended operation in January 2019 due to the intense competition. The suspended mine contributed insignificant revenues of this segment, the Board considers that the suspension will not result in any material adverse impact on the operation or financial position of the Group. The major revenue of this segment comprises of service incomes from coal production and excavation works. During the period ended 31 March 2019, approximately 9.82 million tonnes of coal had been produced and approximately 13.62 kilometres of tunnels had been excavated by the Group.

During the Period, the Group’s provision of coal mining services recorded a revenue of approximately HK\$215.68 million (2018: HK\$200.69 million) which accounted for 92.10% of the Group’s total revenue.

Money lending business

The Group operates its money lending business through an indirectly wholly-owned subsidiary of the Company, which obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). The Group also made short term loans to third parties in the PRC through its subsidiary in Mainland China. During the Period, the revenue from loan interest income was approximately HK\$12.59 million (2018: HK\$11.57 million) which accounted for 5.37% of the Group's total revenue. The interest rate charged by the Group ranged from 7.80% to 20% per annum. The loans were unsecured, with credit terms not more than one year.

Provision for heating supply services

The Group provided the heat supply services in Tianjin City, the PRC. The services include transformation of coal-fired heating systems and provided heating to the customers. During the Period, the provision of heating supply services recorded a revenue of approximately HK\$5.92 million (2018: HK\$6.25 million) which accounted for 2.53% of the Group's total revenue. Even the provision for heating supply service recorded a gross loss of approximately HK\$1.73 million due to the high price of gas, but the Group has recognised a subsidy of HK\$6.06 million as other income. The Group recorded a profit of approximately HK\$1.10 million (2018: loss of HK\$0.43 million) in this segment during the Period.

Investment in listed securities (including financial assets at fair value through profit or loss (the "FVTPL") and investments held for trading)

As at 31 March 2019, the Company invested in certain securities listed in Hong Kong (including FVTPL and investments held for trading), the fair value of FVTPL amounted to approximately HK\$2.47 million (31 December 2018: HK\$1.94 million) and the fair value of investments held for trading amounted to approximately HK\$28.68 million (31 December 2018: HK\$28.09 million). During the Period, the Group recorded a loss on change in fair value of FVTPL of approximately HK\$2.99 million (2018: nil) and a gain arising on change in fair value of investments held for trading of approximately HK\$1.27 million (2018: loss of HK\$5.02 million).

The financial assets at fair value through profit or loss represented the investment in China Green (Holdings) Limited which is principally engaged in growing, processing and sales of agricultural products.

Investment in associates

The Group holds 30% equity interest in Asset Management International Limited together with its subsidiaries (the "Asset Management Group"). Asset Management Group engages principally in security investments. As the Group share of loss of an associate was limited to its net investment amount in the associate, the Group did not record any loss on share of results of associates during the reporting period.

Others

During the Period, the cooperation between the Company and Yue's Tongren Pharmaceutical Technology Group Co., Ltd. ("**Yue's Tongren**") did not proceed. On 7 March 2019, the Group disposed Shenzhen Qianhai Yue's Health Management Company Limited* (深圳前海樂氏健康管理有限公司) (the "**Disposal**"), a wholly owned subsidiary of the Company, which was originally intended to serve as the sole management platform for the big health business of the Company and Yue's Tongren. The consideration of the Disposal was HK\$20.20 million and the transaction was completed on 8 March 2019. The Group recorded a gain of approximately HK\$0.12 million from the Disposal after deducting the expenses attributable thereto. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditors of the Company. The net proceeds from the Disposal has been used for general working capital of the Group. For details, please refer to the Company's announcement dated 16 March 2018, 24 April 2018, 13 August 2018 and 7 March 2019.

Outlook

The provision of coal mining services remains the major source of revenue for the Group. Even the performance of this segment was improved but it still faces the increase in production costs and the intense market competition. The Group has been actively pursuing new customers so as to enlarge its customer base. A new contract is currently being actively negotiated.

In view of trade conflict between China and America may have impact on the economics of China and Hong Kong, the Group will continue to enhance the control over the making of loans as well as monitoring its outstanding loans receivable to minimise credit risk thereon.

Looking ahead, the Group will maintain healthy development of different business segments to consolidate its business portfolio and diversify its source of income. Subject to the availability of financial resources, the Group has been considering venturing into new business areas, such as Chinese medicine and healthcare products market which the Directors sees great potential and opportunities, to broaden its source of revenue thereby creating greater value for its shareholders.

Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated either in Hong Kong dollars, Renminbi or U.S. dollars. It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks.

Use of proceeds from placings

The Company completed the placing of an aggregate of 638,000,000 Shares on 27 June 2018. The net proceeds raised from the placing were approximately HK\$30.7 million. As disclosed in the announcement dated 12 November 2018, the Company intended to apply all the net proceeds raised from the placing as general working capital of the Group. As at the date of this report, the Group had utilized all proceeds as general working capital of the Group.

The Company completed the placing of an aggregate of 1,046,260,000 Shares on 21 April 2016. The net proceeds from the placing were of approximately HK\$201.28 million. The Group intended to use 80% (approximately HK\$160 million) of the proceeds for the development in the business of provision of services related to clean energy and the remaining 20% (approximately HK\$40 million) of the proceeds for working capital purpose. As at the date of this report, the Group had utilized approximately HK\$81 million for the business of provision of services related to clean energy including (i) investment in the joint ventures for the provision of heat supply services, (ii) capital expenditure such as purchasing heat supply equipment and carrying construction works and (iii) operation costs of the joint ventures, and approximately HK\$40 million for general working capital. The remaining balance was deposited into the banks.

Material acquisitions and disposals

Save as the Disposal disclosed in the “Management Discussion and Analysis — Other” section, there were no material acquisitions or disposals of subsidiaries and associates of the Group during the Period.

Liquidity and financial resources

As at 31 March 2019, the Group held cash and cash equivalents of approximately HK\$105.53 million (30 June 2018: HK\$170.81 million). Net current assets amounted to approximately HK\$543.32 million (30 June 2018: HK\$528.33 million).

As at 31 March 2019, the current ratio (defined as total current assets divided by total current liabilities) was approximately 7.66 times (30 June 2018: 6.78 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.29 (30 June 2018: 0.30).

The Group had no any bank borrowing as at 31 March 2019 (30 June 2018: Nil).

Pledge of assets

As at 31 March 2019, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 March 2019, there were 1,378 staff members employed by the Group.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent liabilities

As at 31 March 2019, the Group had no significant contingent liabilities.

Litigations

Save as disclosed in the annual report, there were no material updates on the litigations during the reporting period.

Event after reporting period

No significant events have occurred after the reporting period.

OTHER INFORMATION

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 March 2019, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

To the best knowledge of the Directors, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporation.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2019, so far as is known to the Directors and the Chief Executives, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as follows:

Long position in ordinary shares of HK\$0.05 each of the Company

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
陳朝暉	Beneficial owner	607,200,000	8.10%
陳英	Beneficial owner	645,380,000	8.61%
Huang Xinsong (Note 1)	Held by controlled entity	511,320,000	6.82%
159 Anti-Aging Health Group Ltd. (Note 1)	Beneficial owner	511,320,000	6.82%
許功名 (Note 2)	Held by controlled entity	336,000,000	4.48%
許功名	Beneficial owner	235,138,000	3.14%

Note 1: Mr. Huang Xinsong ("Mr. Huang") is deemed to be interested in 511,320,000 shares held by 159 Anti-Aging Health Group Ltd, the company is incorporated in the British Virgin Islands and are wholly and beneficially owned by Mr. Huang.

Note 2: 許功名 is deemed to be interested in 336,000,000 shares held by Hondex Investments Limited which is a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by 許功名.

Save as disclosed above, as at 31 March 2019, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Share Options Scheme

A share options scheme was passed by the shareholders of the Company at the annual general meeting of the Company held on 12 December 2014 (the “**2014 AGM**”), thereby allowing the Company to grant options for subscription of up to a total of 533,250,233 shares of the Company, representing 10% of the 5,332,502,338 shares of the Company in issue as at the date of the 2014 AGM. The new share options scheme will enable the Company to reward and provide incentives to, and strengthen the Group’s business relationship with, the eligible participants who may contribute to the growth and development of the Group. No options have been granted under the new share options scheme as at the date of this report.

Competing Interests

During the Period, none of the Directors or controlling shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in a business which competes or may compete with the business of the Group or had or might have any conflicts of interest with the Group.

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

Compliance with Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as a code of conduct of the Company regarding securities transactions by the Directors. The Company has made specific enquiry of all the Directors, and the Directors have complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the Directors throughout the Period.

Code on Corporate Governance Practices

The Company endeavours in maintaining high standard of corporate governance for the enhancement of shareholders’ value. The Company has applied the principles of and complied with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules during the Period.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to (i) review the Company’s annual report and accounts, interim reports and quarterly reports; (ii) provide advice and comments thereon to the Board; and (iii) review and supervise the Group’s financial reporting and internal control procedures and risk management system. The Audit Committee comprises three independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang and Ms. Feng Jibei.

The Group’s unaudited condensed consolidated financial statements for the Period, has been reviewed by the Audit Committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 8 May 2019

As at the date of this announcement, the Board of the Company, comprises (i) six executive directors namely, Mr. Cai Da, Mr. Li Xianghong, Mr. Chen Youhua, Mr. Hu Guoan, 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 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>.