



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 2020

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*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 2020, together with the comparative unaudited figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2020

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	29,448	62,786	203,255	234,185
Cost of services provided		<u>(23,167)</u>	<u>(49,050)</u>	<u>(166,151)</u>	<u>(179,276)</u>
Gross profit		6,281	13,736	37,104	54,909
Other income	4	2,395	3,086	7,949	11,173
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		(6,852)	1,319	745	(1,713)
Administrative and other operating expenses		(11,381)	(15,831)	(39,690)	(56,075)
Impairment loss recognised in respect of property, plant and equipment		–	–	(12,113)	–
Impairment loss recognised in respect of customer contracts		–	–	(43,578)	–
Gain on disposal of subsidiaries		–	175	–	175
Finance costs	6	<u>(1,786)</u>	<u>(1,683)</u>	<u>(5,486)</u>	<u>(5,140)</u>
(Loss)/profit before tax		(11,343)	802	(55,069)	3,329
Income tax credit (expenses)	7	<u>26</u>	<u>(1,643)</u>	<u>7,520</u>	<u>(5,175)</u>
Loss for the period	5	<u><u>(11,317)</u></u>	<u><u>(841)</u></u>	<u><u>(47,549)</u></u>	<u><u>(1,846)</u></u>
(Loss) profit for the period attributable to:					
– Owners of the Company		(11,305)	(959)	(47,361)	(1,969)
– Non-controlling interests		<u>(12)</u>	<u>118</u>	<u>(188)</u>	<u>123</u>
		<u><u>(11,317)</u></u>	<u><u>(841)</u></u>	<u><u>(47,549)</u></u>	<u><u>(1,846)</u></u>
Loss per share (HK cents per share)	9	<u><u>(0.15)</u></u>	<u><u>(0.01)</u></u>	<u><u>(0.63)</u></u>	<u><u>(0.03)</u></u>

	Three months ended		Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(11,317)	(841)	(47,549)	(1,846)
Other comprehensive (expense) income for the period, net of tax				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(9,832)</u>	<u>11,330</u>	<u>(17,983)</u>	<u>(4,918)</u>
Total comprehensive (expense) income for the period, net of income tax:	<u>(21,149)</u>	<u>10,489</u>	<u>(65,532)</u>	<u>(6,764)</u>
Total comprehensive (expense) income for the period attributable to:				
– Owners of the Company	(21,137)	10,371	(65,342)	(6,887)
– Non-controlling interests	<u>(12)</u>	<u>118</u>	<u>(190)</u>	<u>123</u>
	<u>(21,149)</u>	<u>10,489</u>	<u>(65,532)</u>	<u>(6,764)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2020

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Foreign currency translation reserve	Other reserve	Accumulated losses	Total equity		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2019 (Audited)	374,628	651,897	(34,911)	3,305	(513,188)	481,731	387	482,118
Loss for the period	–	–	–	–	(47,361)	(47,361)	(188)	(47,549)
Exchange differences on translating foreign operations	–	–	(17,981)	–	–	(17,981)	(2)	(17,983)
Total comprehensive expense for the period	–	–	(17,981)	–	(47,361)	(65,342)	(190)	(65,532)
Transfer	–	–	–	(2,164)	2,164	–	–	–
Balance at 31 March 2020 (Unaudited)	<u>374,628</u>	<u>651,897</u>	<u>(52,892)</u>	<u>1,141</u>	<u>(558,385)</u>	<u>416,389</u>	<u>197</u>	<u>416,586</u>

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Foreign currency translation reserve	Other reserve	Accumulated losses	Total equity		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>

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; and (iii) provision of money lending services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the nine months ended 31 March 2020 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 2019, the accounting policies and methods of computation applied in preparation of the unaudited condensed consolidated results for the nine months ended 31 March 2020 are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 30 June 2019.

3. REVENUE

Revenue represents revenue arising on 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	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– Provision of coal production and technical services	21,311	54,776	181,363	215,677
– Provision of heating supply services	3,501	3,638	5,839	5,921
Revenue from other source	24,812	58,414	187,202	221,598
– Interest income from money lending services	4,636	4,372	16,053	12,587
	<u>29,448</u>	<u>62,786</u>	<u>203,255</u>	<u>234,185</u>

4. OTHER INCOME

	Three months ended 31 March		Nine months ended 31 March	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	165	116	658	408
Dividend income from financial assets at FVTPL	–	–	–	144
Leasing income from machinery	–	289	2,263	4,561
Government grants	1,267	2,681	1,267	6,060
Sundry income	963	–	3,761	–
	<u>2,395</u>	<u>3,086</u>	<u>7,949</u>	<u>11,173</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	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	<u>2,712</u>	<u>3,758</u>	<u>12,100</u>	<u>17,316</u>

6. FINANCE COSTS

	Three months ended 31 March		Nine months ended 31 March	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on discounted bills	–	–	114	91
Imputed interest in lease liabilities	20	–	74	–
Imputed interest on promissory notes	1,766	1,683	5,298	5,049
	<u>1,786</u>	<u>1,683</u>	<u>5,486</u>	<u>5,140</u>

7. INCOME TAX (CREDIT) EXPENSES

	Three months ended 31 March		Nine months ended 31 March	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong	94	166	488	496
– People's Republic of China ("PRC")	(120)	2,010	3,926	7,602
Deferred tax credit	–	(533)	(11,934)	(2,923)
	<u>(26)</u>	<u>1,643</u>	<u>(7,520)</u>	<u>5,175</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 2020 (2019: 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	
	2020	2019	2020	2019
	(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>(11,305)</u>	<u>(959)</u>	<u>(47,361)</u>	<u>(1,969)</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>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</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 2019 and 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the nine months ended 31 March 2020 (the “**Period**”), the Group recorded a revenue of approximately HK\$203.26 million (2019: HK\$234.19 million) and gross profit of approximately HK\$37.10 million (2019: HK\$54.91 million). The decrease in revenue was mainly due to non-renewal of coal mining service agreements by a major customer (For details, refer to the Company’s announcement dated 16 January 2020), and the suspension of the Group’s provision of coal mining service for the remaining mine during February 2020 to late March 2020 due to the outbreak of the novel coronavirus. The decrease in gross profit was mainly due to the decrease in revenue and the higher costs, particularly the labour costs as extra labour was required for the production of coals owing to unfavourable mining conditions.

The Group recorded other income in the amount of approximately HK\$7.95 million (2019: HK\$11.17 million). The decrease in other income was mainly due to the decrease in subsidies received from the government as no additional capital expenditure had been incurred for the provision for heating supply. The Group recorded a gain of HK\$0.75 million (2019: loss of HK\$1.71 million) on fair value change of financial assets at fair value through profit or loss (the “**FVTPL**”), which represented a profit on investments in securities listed in Hong Kong. The Group recorded administrative and other operating expenses in the amount of HK\$39.69 million (2019: HK\$56.08 million), the decrease was mainly due to the decrease in the depreciation and amortization and the absence of loss on disposal of fixed assets of approximately HK\$4.5 million recorded in the corresponding period in 2019. The Group recognized impairment losses in respect of customer contracts and property, plant and equipment in the amount of HK\$43.58 million (2019: Nil) and HK\$12.11 million (2019: Nil) respectively, owing to the significant decrease in the expected future revenue of the Group as a result of the non-renewal of coal mining service agreements by a major customer. The Group also recorded finance costs in the amount of HK\$5.49 million (2019: HK\$5.14 million). The Group recorded income tax credit of HK\$7.52 million for the nine months ended 31 March 2020 (2019: tax expenses of HK\$5.18 million), the change was mainly due to the increase in deferred tax liabilities written back.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$47.36 million (2019: HK\$1.97 million). The increase in loss was primarily due to the impairment losses recognised in respect of customer contracts and property, plant and equipment.

Provision of coal mining services

During the Period, the Group provided coal mining services under the terms of the respective management contracts signed between the Group and the mine owners. The major revenue of this segment comprises of service incomes from coal production and

excavation works. During the Period, the Group's provision of coal mining services recorded a revenue of approximately HK\$181.36 million (2019: HK\$215.68 million) which accounted for 89.23% of the Group's total revenue.

On 16 January 2020, the Group received notices from a major customer ("**Major Customer**") that in order to comply with the Entrusted Management Measures ("**Measure**") which was issued by the State Administration of Coal Mine Safety on 6 December 2019, the Major Customer had requested the Group to terminate all services offered in relation to the coal mines owned by the Major Customer (For details, refer to the Company's announcement dated 16 January 2020). Apart from the Major Customer, the Group has also been providing coal mining services to a customer ("**Remaining Customer**"). The relevant coal mining service agreement with the Remaining Customer will expire in June 2021 ("**Existing Agreement**"). The Group has been negotiating with the Remaining Customer to seek to revise and/or supplement the Existing Agreement to ensure its compliance upon the Measure. However, the negotiation progress has been affected by the outbreak of the novel coronavirus, and hence the negotiation has not yet finalized as at the date of this report. In the event the parties could not reach an agreement to revise and/or supplement the Existing Agreement into an overall entrusted management agreement, the Existing Agreement will likely be terminated. In which case the Group will approach other coal mine owners or participate in tenders for overall entrusted management service of other coal mines.

Money lending business

The Group operates its money lending business through an indirect wholly-owned subsidiary of the Company, which is a licensed a money lender 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 subsidiaries in the PRC. During the Period, the revenue from loan interest income was approximately HK\$16.05 million (2019: HK\$12.59 million) which accounted for 7.90% of the Group's total revenue. The increase in revenue was mainly attributable to the growth in loan balances. The interest rate charged by the Group ranged from 7.8% to 20% per annum. The loans were unsecured, with credit terms not more than one year.

Provision for heating supply

The Group provides heating supply services in Tianjin City, the PRC. The services include transformation of coal-fired heating systems and provision of heating to the customers. During the Period, the provision of heating supply services recorded a revenue of HK\$5.84 million (2019: HK\$5.92 million) which accounted for 2.87% of the Group's total revenue.

Investment in listed securities (i.e. Financial assets at FVTPL)

As at 31 March 2020, the Company invested in certain securities listed in Hong Kong (i.e. Financial assets at FVTPL), the financial assets at FVTPL amounted to approximately HK\$24.41 million (30 June 2019: HK\$28.66 million). During the Period, the Group recorded a gain on fair value change of financial assets at FVTPL of approximately HK\$0.75 million (2019: loss of HK\$1.71 million).

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 principally engages in security investments. As the Group’s 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.

Outlook

The provision of coal mining services remains the Group’s major source of revenue. It faces the challenges of increasing production costs and intense market competition. The Group has been reallocating its resources to focus in coal mine infrastructure construction of above-the-ground infrastructures and peripheral land use planning of the coal mine area before commencement of extraction (whereas the existing coal mining services offered by the Group or the overall entrusted management services concern the extraction stage). As the Group already possesses the relevant expertise and equipment to carry on coal mine infrastructure construction, the Group could forthwith commence such construction service without the need to conduct extensive training and transformation.

With the increase in demand for heating system in the PRC, such growing trend is expected to continue in coming years due to rapid urbanisation and the implementation of environmental regulations to facilitate the process of boiler conversions from coal to natural gas in the PRC. The Group intends to cooperate with business partners in the relevant area so as to utilise the resources and strengths of each parties with an aim to expand the Group’s business scope and market share on heat supply business. Further, in line with the Group’s strategy to develop its environmental friendly heating business, the Group seeks further expansion in the more profitable areas such as Beijing. To this end, the Group has been negotiating with a new customer in respect of provision of heating supply in Beijing.

Given the outbreak of coronavirus is expected to impact on the economies 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 with respect to its money lending business.

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, 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 minimise currency risks.

Use of proceeds from placing

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 31 March 2020, 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. As at the date of this announcement, the remaining balance was deposited into the banks.

Material acquisitions and disposals

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 2020, the Group held cash and cash equivalents of approximately HK\$107.54 million (30 June 2019: HK\$151.11 million). Net current assets amounted to approximately HK\$367.31 million (30 June 2019: HK\$497.27 million). As at 31 March 2020, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.27 (30 June 2019: 8.21 times). The decrease of the current ratio was mainly due to the reclassification of a promissory note of HK\$121.64 million due on 31 July 2020 from non-current liability to current liability. The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.29 (30 June 2019: 0.30). The Group did not have bank borrowing as at 31 March 2020 (30 June 2019: Nil).

Pledge of assets

As at 31 March 2020, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 March 2020, there were 1,330 staff members employed by the Group, of which about 600–700 employees are expected to be employed by a new contractor who has been appointed by the Major Customer after the non-renewal of coal mining service agreements with the Group by the Major Customer.

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 2020, the Group had no significant contingent liabilities.

Litigations

There were no material litigations during the reporting period.

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

As at 31 March 2020, 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 2020, 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
CHEN Zhaohui	Beneficial owner	806,960,000	10.77%
Zhou Jiao (<i>Note 1</i>)	Held by controlled entity	511,320,000	6.82%
159 Anti-Aging Health Group Ltd. (<i>Note 1</i>)	Beneficial owner	511,320,000	6.82%
XU, Gongming (<i>Note 2</i>)	Held by controlled entities	660,060,000	8.81%
XU, Gongming	Beneficial owner	12,000,000	0.16%
Zheng He Industrial Group Limited	Beneficial owner	660,060,000	8.81%
魏凱	Beneficial owner	491,380,000	6.56%

Note 1: Zhou Jiao 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 Zhou Jiao.

Note 2: XU, Gongming is deemed to be interested in 660,060,000 shares held by Zheng He Industrial Group Limited, the company is incorporated in the British Virgin Islands, which is wholly and beneficially owned by XU, Gongming.

Save as disclosed above, as at 31 March 2020, 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 announcement.

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 four independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang, Ms. Feng Jibei and Mr. Chen Xier.

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 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 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>.