



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 2021

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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 2021, together with the comparative unaudited figures for the corresponding periods in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2021

		Three months ended 31 March		Nine months ended 31 March	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	27,688	29,448	110,469	203,255
Cost of services rendered		(22,162)	(23,167)	(84,771)	(166,151)
Gross profit		5,526	6,281	25,698	37,104
Other income	4	2,077	2,395	6,244	7,949
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		9,439	(6,852)	2,170	745
Administrative and other operating expenses		(11,236)	(11,381)	(33,018)	(39,690)
Impairment loss recognised in respect of property, plant and equipment		–	–	–	(12,113)
Impairment loss recognised in respect of customer contracts		–	–	–	(43,578)
Finance costs	6	(642)	(1,786)	(2,175)	(5,486)
Profit (loss) before tax		5,164	(11,343)	(1,081)	(55,069)
Income tax credit (expenses)	7	79	26	(2,610)	7,520
Profit (loss) for the period	5	5,243	(11,317)	(3,691)	(47,549)

		Three months ended		Nine months ended	
		31 March		31 March	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the period attributable to:					
	– Owners of the Company	5,237	(11,305)	(3,423)	(47,361)
	– Non-controlling interests	6	(12)	(268)	(188)
		<u>5,243</u>	<u>(11,317)</u>	<u>(3,691)</u>	<u>(47,549)</u>
Earning (loss) per share					
	– Basic and diluted (HK cents per share)	9	0.07	(0.15)	(0.63)
		<u>0.07</u>	<u>(0.15)</u>	<u>(0.05)</u>	<u>(0.63)</u>
	Profit (loss) for the period	5,243	(11,317)	(3,691)	(47,549)
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	(1,362)	(9,832)	26,380	(17,983)
		<u>(1,362)</u>	<u>(9,832)</u>	<u>26,380</u>	<u>(17,983)</u>
Total comprehensive income (expense)					
for the period, net of income tax:					
		<u>3,881</u>	<u>(21,149)</u>	<u>22,689</u>	<u>(65,532)</u>
Total comprehensive income (expense)					
for the period attributable to:					
	– Owners of the Company	3,880	(21,137)	22,697	(65,342)
	– Non-controlling interests	1	(12)	(8)	(190)
		<u>3,881</u>	<u>(21,149)</u>	<u>22,689</u>	<u>(65,532)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2021

	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 2020 (Audited)	374,628	651,897	(49,263)	3,639	(614,559)	366,342	205	366,547
Loss for the period	–	–	–	–	(3,423)	(3,423)	(268)	(3,691)
Exchange differences on translating foreign operations	–	–	26,120	–	–	26,120	260	26,380
Total comprehensive income (expense) for the period	–	–	26,120	–	(3,423)	22,697	(8)	22,689
Transfer	–	–	–	(2,475)	2,475	–	–	–
Balance at 31 March 2021 (Unaudited)	<u>374,628</u>	<u>651,897</u>	<u>(23,143)</u>	<u>1,164</u>	<u>(615,507)</u>	<u>389,039</u>	<u>197</u>	<u>389,236</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 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>

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 and construction 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 2021 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 2020, the accounting policies and methods of computation applied in preparation of the unaudited condensed consolidated results for the nine months ended 31 March 2021 are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 30 June 2020.

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	
	2021	2020	2021	2020
	(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, excavation works and construction works	20,515	21,311	94,494	181,363
– Provision for heating supply services	4,009	3,501	6,518	5,839
Revenue from other source	24,524	24,812	101,012	187,202
– Interest income from money lending services	3,164	4,636	9,457	16,053
	<u>27,688</u>	<u>29,448</u>	<u>110,469</u>	<u>203,255</u>

4. OTHER INCOME

	Three months ended 31 March		Nine months ended 31 March	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	228	165	725	658
Handling income	744	–	1,895	–
Leasing income from machinery	12	–	898	2,263
Government grants	1,034	1,267	1,302	1,267
Gain on disposal of property, plant and equipment	45	–	875	–
Sundry income	14	963	549	3,761
	<u>2,077</u>	<u>2,395</u>	<u>6,244</u>	<u>7,949</u>

5. PROFIT (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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of right-of-use assets	349	314	930	942
Depreciation and amortisation	703	2,398	1,924	11,158

6. FINANCE COSTS

	Three months ended 31 March		Nine months ended 31 March	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses	580	–	1,594	–
Interest expenses on discounted bills	55	–	175	114
Imputed interest in lease liabilities	7	20	30	74
Imputed interest on promissory note	–	1,766	376	5,298
	<u>642</u>	<u>1,786</u>	<u>2,175</u>	<u>5,486</u>

7. INCOME TAX (CREDIT) EXPENSES

	Three months ended 31 March		Nine months ended 31 March	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong	30	94	135	488
– People's Republic of China ("PRC")	(109)	(120)	2,475	3,926
Deferred tax credit	–	–	–	(11,934)
	<u>(79)</u>	<u>(26)</u>	<u>2,610</u>	<u>(7,520)</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Other than the qualifying corporation, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period ended 31 March 2021 (2020: 25%).

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 2021 (2020: Nil).

9. EARNING (LOSS) PER SHARE

The calculation of the basic and diluted earning (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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earning (loss)				
Earning (loss) for the purpose of basic and diluted earning (loss) per share (for the period attributable to owners of the Company)	<u>5,237</u>	<u>(11,305)</u>	<u>(3,423)</u>	<u>(47,361)</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 earning (loss) per share	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>

Diluted earning (loss) per share was the same as the basic earning (loss) per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2020 and 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the nine months ended 31 March 2021 (the “**Period**”), the Group recorded a revenue of approximately HK\$110.47 million (2020: HK\$203.26 million), representing a decrease of 45.65% as compared with that of the corresponding period in 2020. The decrease in revenue was mainly due to the termination and non-renewal of coal mining service agreements (“**Cessation of Agreements**”) by the customers as announced in the Company’s announcements dated 16 January 2020 and 17 June 2020. The Group recorded gross profit of approximately HK\$25.70 million (2020: HK\$37.10 million) for the Period. The gross profit declined by approximately 30.74%, mainly due to the decline in revenue. The overall gross profit margin increased from 18.25% to 23.26% for the Period. The increase in margin was mainly (i) due to the money lending business, which has a much higher gross profit margin, has contributed a greater proportional of revenue comparing to the business of provision of coal mining & construction services which has a lower gross profit margin, and (ii) the Group has streamlined its operations and reduced the costs.

The Group recorded other income, which was mainly contributed from the handling income for coal transportation services, government grants, leasing income from machinery and gain on disposal of fixed assets, in the amount of approximately HK\$6.24 million (2020: HK\$7.95 million) for the Period. The Group recorded a gain of HK\$2.17 million (2020: HK\$0.75 million) of fair value change on financial assets at fair value through profit or loss, which mainly represented a gain on investments in securities listed in Hong Kong. The Group recorded administrative and other operating expenses in the amount of HK\$33.02 million (2020: HK\$39.69 million), the decrease was mainly due to the absence of amortization of intangible assets in the Period. The Group recorded finance costs in the amount of HK\$2.18 million (2020: HK\$5.49 million). The decrease was due to less imputed interest on promissory note having been recognized during the Period. Pursuant to a deed of settlement signed between the Company and the noteholder on 31 July 2020, the Company had paid approximately HK\$46.50 million to the note holder during the Period and the interest rate for the outstanding balance was 3% per annum. The Group recorded income tax expense in the amount of HK\$2.61 million (2020: tax credit of HK\$7.52 million), the change was mainly due to the decrease in deferred tax liabilities written back.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$3.42 million (2020: HK\$47.36 million). The decrease in loss was mainly due to the absence of impairment losses recognised in respect of customer contracts (2020: HK\$43.58 million) and property, plant and equipment (2020: HK\$12.11 million).

Provision of coal mining & construction services

The major revenue of this segment comprises of service income from excavation works and provision of construction works. During the Period, the Group's provision of coal mining & construction services recorded a revenue of approximately HK\$94.49 million (2020: HK\$181.36 million) which accounted for 85.54% of the Group's total revenue. During the Period, the Group has ceased to provide services which are governed by the Entrusted Management Measures (“**Measure**”) to its customers after the Cessation of Agreements but the Group still provided services not governed by the Measures. Furthermore, the Group also provided other services to new customers.

Money lending business

The Group operates its money lending business through an indirectly wholly-owned subsidiary of the Company, which is a licensed 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 Mainland China. During the Period, the revenue from loan interest income was approximately HK\$9.46 million (2020: HK\$16.05 million) which accounted for 8.56% of the Group's total revenue. The decrease in revenue was mainly attributable to the decline in loan balances as the Group was more cautious in granting loans. The interest rate charged by the Group ranged from 5% to 20% per annum. Save for a loan of HK\$3 million which was secured by second charge of property, all loans extended by the Group were unsecured. The loans have credit terms of no more than one year.

Provision for heating supply

The Group provides the heat supply services in Tianjin City, the PRC. During the Period, the provision of heating supply services recorded a revenue of HK\$6.52 million (2020: HK\$5.84 million) which accounted for 5.90% of the Group's total revenue.

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

As at 31 March 2021, the Group invested in securities listed mainly in Hong Kong, also in the United States and the PRC markets (i.e. Financial assets at FVTPL), the financial assets at FVTPL amounted to approximately HK\$29.55 million (30 June 2020: HK\$27.04 million). During the Period, the Group recorded a gain of fair value change on financial assets at FVTPL of approximately HK\$2.17 million (2020: HK\$0.75 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 engages principally 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 directors expect the provision of coal mining and construction services will remain as the Group’s major source of revenue notwithstanding the challenges of increasing production costs and intense market competition. Given the income from the provision of coal-mining service and construction services is charged on project basis and is non-recurrent in nature, the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group’s order book for its new projects. Accordingly, the Group has been actively pursuing new customers so as to enlarge its customer base.

There has been an increase in demand for heating system and such growing trend is expected to continue in coming years due to rapid urbanisation and the environmental regulations facilitate the process of boiler conversions from coal to natural gas in the PRC. 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.

Given the coronavirus pandemic has an impact on the economies of mainland China and Hong Kong, the Group will continue to enhance its 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 will continue to actively consider venturing into new business areas, such as smart elderly services 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 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 2021, 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

On 26 March 2021, the Group subscribed for 120 Class A non-redeemable participating shares in the capital of a fund of par value US\$0.01 each attributable to a segregated portfolio at a total subscription amount of US\$1.20 million. (For details, please see the Company's announcements dated 26 March 2021 and 28 April 2021). Save as disclosed above, 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 2021, the Group held cash and cash equivalents of approximately HK\$130.03 million (30 June 2020: HK\$122.08 million). Net current assets amounted to approximately HK\$367.63 million (30 June 2020: HK\$343.26 million). As at 31 March 2021, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.76 times (30 June 2020: 2.95 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.26 (30 June 2020: 0.33). The Group did not have bank borrowing as at 31 March 2021 (30 June 2020: Nil).

Pledge of assets

As at 31 March 2021, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 March 2021, there were 365 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 2021, 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 2021, 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 2021, 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	437,480,000	5.84%
XU, Gongming	Beneficial owner	12,000,000	0.16%
XU, Gongming (<i>Note 1</i>)	Held by controlled entity	1,037,980,000	13.85%
Redwood Bay Investment Group International Company Limited (<i>Note 1</i>)	Beneficial owner	1,037,980,000	13.85%
Full Ying Holdings Limited	Beneficial owner	443,480,000	5.92%

Note 1: XU, Gongming is deemed to be interested in 1,037,980,000 shares held by Redwood Bay Investment Group International Company Limited (formerly known as 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 2021, 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 option scheme

A share option 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 option 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 option scheme during the Period and there were no outstanding options 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. Pursuant to code provision A.2.1 of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Currently, each of Mr. Cai Da and Mr. Li Xianghong is the co-chairman of the Company (the “**Co-Chairman**”). Mr. Cai Da as the Co-Chairman was responsible for providing leadership to and overseeing the management of the Board, and performing the roles of the chairman for the purposes of the Articles of Association of the Company, the Corporate Governance Code and the Rules Governing the Listing of Securities on the GEM, while Mr. Li Xianghong as the Co-Chairman was primarily responsible for overall leadership in the strategic development of the business of the Group. Further, following the resignation of Mr. Chen Youhua from the positions of executive

Director and chief executive officer of the Company at 31 December 2020, the board has not yet appointed a new chief executive of the Company. Accordingly, the duties of the chief executive have since then been undertaken by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post to comply with code provision A.2.1 of the Code if necessary. Save as disclosed above, 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 “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, 4 May 2021

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 (iii) 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>.