



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)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2022

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FIRST 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 (collectively referred to as the “**Group**”) for the three months ended 30 September 2022, together with the comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2022

		Three months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	988,291	23,252
Cost of services rendered		<u>(984,565)</u>	<u>(20,893)</u>
Gross profit		3,726	2,359
Other income	4	781	751
Other (loss)/gain		(4,970)	2,200
Administrative and other operating expenses		(11,479)	(10,742)
Finance costs	6	<u>(468)</u>	<u>(477)</u>
Loss before taxation		(12,410)	(5,909)
Income tax expense	7	<u>(1,497)</u>	<u>(369)</u>
Loss for the period	5	<u><u>(13,907)</u></u>	<u><u>(6,278)</u></u>

		Three months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:			
	– Owners of the Company	(13,238)	(6,196)
	– Non-controlling interests	<u>(669)</u>	<u>(82)</u>
		<u>(13,907)</u>	<u>(6,278)</u>
Loss per share			
	– Basic and diluted (HK cents per share)	<u>(0.18)</u>	<u>(0.08)</u>
		<u>(13,907)</u>	<u>(6,278)</u>
Other comprehensive (expenses) income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
	Exchange differences on translating foreign operations	<u>(18,868)</u>	<u>941</u>
Total comprehensive expense for the period, net of income tax:			
		<u>(32,775)</u>	<u>(5,337)</u>
Total comprehensive (expense) income for the period attributable to:			
	Owners of the Company	(35,130)	(5,255)
	Non-controlling interests	<u>2,355</u>	<u>(82)</u>
		<u>(32,775)</u>	<u>(5,337)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2022

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained Earning (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 July 2022 (Audited)	74,926	288,469	(20,114)	2,882	10,494	356,657	(3,623)	353,034
Loss for the period	-	-	-	-	(13,238)	(13,238)	(669)	(13,907)
Exchange differences on translating foreign operations	-	-	(21,892)	-	-	(21,892)	3,024	(18,868)
Total comprehensive (expense) income for the period	-	-	(21,892)	-	(13,238)	(35,130)	2,355	(32,775)
Balance at 30 September 2022 (Unaudited)	<u>74,926</u>	<u>288,469</u>	<u>(42,006)</u>	<u>2,882</u>	<u>(2,744)</u>	<u>321,527</u>	<u>(1,268)</u>	<u>320,259</u>

For the three months ended 30 September 2021

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained Earning (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 July 2021 (Audited)	74,926	288,469	(19,969)	2,882	19,457	366,342	205	366,547
Loss for the period	-	-	-	-	(6,196)	(6,196)	(82)	(6,278)
Exchange differences on translating foreign operations	-	-	941	-	-	941	-	941
Total comprehensive income (expense) for the period	-	-	941	-	(6,196)	(5,255)	(82)	(5,337)
Balance at 30 September 2021 (Unaudited)	<u>74,926</u>	<u>288,469</u>	<u>(19,028)</u>	<u>2,882</u>	<u>13,261</u>	<u>360,510</u>	<u>(16)</u>	<u>360,494</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

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) trading of fresh produce products, (ii) provision of coal mining and construction services; (iii) provision for heating supply services and (iv) provision of money lending services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the three months ended 30 September 2022 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.

The accounting policies and methods of computation applied in preparation of the unaudited condensed consolidated results for the three months ended 30 September 2022 are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2022.

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	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Trading of fresh produce and agricultural products	977,522	–
– Provision of excavation works and construction works	9,006	20,172
– Provision for heating supply services	<u>–</u>	<u>–</u>
	986,528	20,172
Revenue from other source		
– Interest income from money lending business	<u>1,763</u>	<u>3,080</u>
	988,291	23,252

4. OTHER INCOME

	Three months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	62	86
Handling income	–	588
Government grants	657	–
Sundry income	62	77
	<u>62</u>	<u>77</u>
	781	751

5. LOSS FOR THE PERIOD

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

	Three months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	659	794
Depreciation of right-of-use assets	416	129
	<u>416</u>	<u>129</u>

6. FINANCE COSTS

	Three months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on discounted bills	16	13
Interest expenses on lease liabilities	142	59
Interest on amount due to a former noteholder	310	405
	<u>468</u>	<u>477</u>

7. INCOME TAX EXPENSE

	Three months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	–	28
– People's Republic of China (“PRC”) Enterprise Income Tax	1,497	341
	<u>1,497</u>	<u>369</u>

Under the two-tiered profit tax rates regime of Hong Kong Profit Tax, 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 Profit Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the year ended 30 June 2022.

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 year ended 30 June 2022 (2021: 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 three months ended 30 September 2022 (2021: 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	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share (for the period attributable to owners of the Company)	<u>(13,238)</u>	<u>(6,196)</u>
	Number of	Number of
	Shares	Shares
	'000	'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>

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 ended 30 September 2022 and 30 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 30 September 2022 (the “**Period**”), the Group recorded a revenue of approximately HK\$988.29 million (2021:HK\$23.25 million), representing an increase of approximately 42 times as compared with that of the corresponding period in 2021. The increase in revenue was due to the commencement of a new business in the trading of fresh produce and agricultural products. The Group’s gross profit increased from approximately HK\$2.36 million to HK\$3.73 million while its overall gross profit margin decreased from 10.15% for the corresponding period in 2021 to 0.38% for the Period. The significant decrease in gross profit margin was mainly due to (i) the decline in revenue of excavation works and provision of construction works, (ii) the decline in interest incomes generated from the money lending business, and (iii) a very low gross profit margin from trading of fresh produce and agricultural products.

The Group recorded other income, which mainly comprised government grants and interest income, in the amount of approximately HK\$0.78 million (2021: HK\$0.75 million) for the Period. The Group recorded a loss of HK\$4.97 million (2021: gain of HK\$2.20 million) from investments in listed securities as a result of market volatility during the Period.

The Group recorded administrative and other operating expenses in the amount of HK\$11.48 million (2021: HK\$10.74 million) and finance costs in the amount of HK\$0.47 million (2021: HK\$0.48 million). The Group recorded income tax expenses of HK\$1.50 million (2021: HK\$0.37 million), the increase in which was mainly due to the tax expenses arising from the new business in trading fresh produce products.

In conclusion, the loss attributable to owners of the Company for the Period amounted to approximately HK\$13.24 million (2021: HK\$6.20 million). The increase in loss was mainly due to a loss of approximately HK\$4.97 million for the Period in respect of the change of fair value on financial assets at fair value through profit or loss (the “**FVTPL**”), as opposed to a gain of approximately HK\$2.20 million recorded in the three months ended 30 September 2021.

Provision of coal mining services and construction services

The revenue of this segment comprises service income from excavation works and provision of construction works. During the Period, the Group recorded a revenue of approximately HK\$9.00 million (2021: HK\$20.17 million) from the provision of coal mining & construction services to a customer which accounted for 0.91% of the Group’s total revenue. The decreases in revenue and gross profit were mainly due to the Group completing a project and relocating the labor forces to commence a new project that adversely affected the operations of this segment and additional costs were required. This segment recorded a loss of approximately HK\$9.79 million (2021: HK\$6.47 million).

Money lending business

The Group operates its money lending business in Hong Kong through a subsidiary of the Company, which is a licensed money lender under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong), and in the People's Republic of China (the "PRC") through its subsidiary in Mainland China respectively. Loan financing is the only money lending service provided by the Group. Individual borrowers accounted approximately 80% of the customers of the Group's money lending business, while the rest are corporate borrowers. Customers of the Group are mainly introduced through business or personal networks of the directors or referral from business counterparts of the Group. The outstanding balances of the loans granted ranged from approximately HK\$0.3 million to HK\$7.0 million with the interest rate ranging from 5.0% to 18.0% per annum. All of the outstanding loans have a term of no more than one year. The percentage of amount of total loans and interest receivables from the largest and 5 largest customers to total loans and interest receivables are 7.34% and 36.18% respectively. Save for a loan of approximately HK\$2.50 million (net of impairment) which was secured by a second charge on a property, the remaining loans granted by the Group are not secured by collateral security. However, a number of the outstanding loans are secured by personal guarantees provided by independent third parties.

The adverse financial and economic conditions caused by the COVID-19 pandemic have affected the financial position and repayment ability of the Group's customers. The Group expects that such a challenging situation may affect the repayment of loans on demand and increase credit risks. The Group continues to monitor the recoverability of its loans through regular communication with borrowers regarding their latest financial position and review of the borrowers' credit profile and will take any necessary follow-up action on borrowers' repayment.

During the Period, the revenue from loan interest income was approximately HK\$1.76 million (2021: HK\$3.08 million) which accounted for 0.18% of the Group's total revenue. The decrease in revenue in this segment was mainly attributable to the decline in loan balances as the Group was more cautious in granting new loans. This segment recorded a loss of approximately HK\$0.03 million during the Period (2021: gain of HK\$1.33 million).

Provision for heating supply

The Group provides heating supply services to customers in Tianjin, the PRC. During the Period, no revenue was recorded in this segment as the heat supply season commences in November and ends in March every year.

Trading of fresh produce and agricultural products

The Group has diversified its business into the trading of fresh produce products in the year ended 30 June 2022. The Group imported fruits, mainly durian from Thailand to the PRC. The Group also purchased fruits from a local supplier; and sold them to the market. Besides, the Group sourced quality live pigs from renowned suppliers and pig farms in Guangxi, Jiangxi and Hunan, and sold the live pigs to cities in Guangdong Province such as Shenzhen, Huizhou, Dongguan. During the Period, the Group expanded the scope of the trading business to agricultural products such as sugar and eggs. The Group purchased sugar from sugar factories and sold it to China Reserve (Guangdong) Grain Trading Limited.

During the Period, the Group recorded a revenue of approximately HK\$977.52 million, which accounted for 98.91% of the Group's total revenue, and a segment profit of HK\$4.69 million from the trading of fresh produce and agricultural products. The business of trading fresh produce and agricultural products had a short sales cycle that allowed the Group to make a large volume of sales, resulting in high revenue. The low gross profit margin was because the trading business operated in highly competitive markets.

Investment in listed securities

As at 30 September 2022, the Group invested in securities listed in Hong Kong (i.e. financial assets at FVTPL), the financial assets at FVTPL amounted to approximately HK\$18.85 million (30 June 2022: HK\$30.52 million). During the Period, the Group recorded a loss of fair value change on financial assets at FVTPL of approximately HK\$4.97 million (2021: gain of HK\$2.20 million).

Pledged bank deposit

As at 30 September 2022, a bank deposit of RMB5,000,000 (30 June 2022: nil) was pledged to a bank to secure general banking facilities granted to the Group.

Outlook

The directors expect the operations of the provision of coal mining and construction services will continue to face the challenges of the COVID-19 pandemic, increasing production costs, strict safety regulations and intense market competition. Given the income from the provision of coal-mining services and construction services is charged on a 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. Whilst, the Group has yet acquired new customers during the Period, it will continue to actively pursue new customers so as to enlarge its customer base.

Given the impact of the COVID-19 pandemic on the economies of the PRC and Hong Kong, the Group will continue to exercise significant control over the granting of new loans as well as monitoring its outstanding loans receivable to minimise credit risk with respect to its money lending business.

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 implementation of environmental regulations. Although the prospect of the provision of heating supply service remains promising, international commodity and energy prices rose sharply since early 2022 and the high volatility in the prices of gas is expected to continue in the foreseeable future. The surge in gas prices will likely continue to push down the profit margin of the provision of heating supply services of the Group. Whereas the Group has benefited from subsidies granted by the PRC government to the heat supply industry, such subsidies are highly dependent on the prevailing government policies. The Group considers that the inherent uncertainties of the industry cast doubt on the profitability of the provision of heating supply services which have become obstacles for the Group to identify good investment opportunities in this industry.

The Directors considered that the growing purchasing power and rising living standard in the PRC are expected to drive up the demand for imported fruits and quality agricultural products bred in renowned farms in the PRC, and are therefore optimistic about the business prospect of trading fresh produce and agricultural products. As disclosed in the announcement of the Company dated 24 June 2022, an indirect wholly-owned subsidiary of the Group and China Reserve (Guangdong) Grain Trading Limited had formed a strategic partnership to leverage on their respective strengths and resources, enhance the quality of products of their businesses, maintain client relationship and secure long-term growth for both parties. The cooperation would focus on the trading, logistics, storage, and supply of sugar, live pigs, rice and other staple agricultural products. During the Period, the Group started to purchase sugar from sugar factories and sold it to China Reserve (Guangdong) Grain Trading Limited, and more in-depth cooperation in the future is expected. The Directors are of the view that the business of trading fresh produce and agricultural products is the main driver for the growth of the Group and are also confident that this will help diversify the Group's business and will generate more income and increase the profit margin of the Group in the long run. As it is expected that this business segment will have a good business prospect, the Group will allocate more resources to it.

USE OF PROCEEDS FROM 2016 PLACING

As disclosed in the announcements of the Company dated 8 April and 21 April 2016, the Company completed the placing of an aggregate of 1,046,260,000 new shares in the Company on 21 April 2016 (“**2016 Placing**”), from which the net proceeds of HK\$201.2 million was raised. 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\$41 million) of the proceeds for working capital purpose (“**Intended Purposes**”). Among other things, the Company has applied part of the proceeds from the 2016 Placing to develop clean energy heat supply service in Shandong (“**Shandong Project**”) and Tianjin (“**Tianjin Project**”).

The breakdown for the usage of the proceeds up to 30 June 2022 are as follows:

	Actual net proceeds <i>HKD</i>	The cumulative usage of the 2016 Placing proceeds up to 30 June 2022 <i>HKD</i>	For the period ended 30 September 2022 <i>HKD</i>	Unutilised Proceeds as at 30 September 2022 <i>HKD</i>
Provision of heat supply services by clean energy including				
(i) investment in the joint ventures for the provision of heat supply services		35 million	Nil	
(ii) capital expenditure such as purchasing heat supply equipment and carrying out construction works and		34 million	Nil	
(iii) operation costs of the joint ventures		11 million	Nil	
Sub-total	160 million	80 million	Nil	80 million
General working capital	41 million	41 million	Nil	Nil
Total	<u>201 million</u>	<u>121 million</u>	<u>Nil</u>	<u>80 million</u>

The remaining balance of unutilised proceeds (“**Unutilised Proceeds**”) of approximately HK\$80 million was and is still being deposited in banks and has remained unutilised during the Year and as at the date of this announcement.

Since the completion of the 2016 Placing and after investing in the Shandong Project and Tianjin Project, the Company has continued looking for potential investment opportunities to which the Company may apply the Unutilised Proceeds. Even though the Group has considered a number of potential investments and entered negotiations with certain parties, it is yet to identify any suitable project that the Directors consider to be beneficial to the Group and its shareholders as a whole. As the gas price soared and the subsidies from the PRC government depends on the government policies, the directors consider that the inherent uncertainties of the heat supply industry are likely to impact the profitability of the provision of heating supply services of the Group. The Board will evaluate the plans for use of the Unutilised Proceeds and may revise the plans where necessary in response to the changing market conditions and strive for more efficient resource allocation, better business performance and return of the Group. For the time being, the directors are optimistic about that the prospects of trading fresh produce and agricultural products is promising and may propose to reallocate part of the Unutilised Proceeds to this business. Accordingly, the Company does not have an expected timeline for the utilisation of the Unutilised Proceeds. Should there be any change in the use of proceeds, further announcement(s) will be made by the Company as soon as practicable.

OTHER INFORMATION

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

As at 30 September 2022, 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 year 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 30 September 2022, 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\$0.01 each of the Company

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
XU, Gongming	Beneficial owner	12,000,000	0.16%
XU, Gongming (Note 1)	Held by controlled entity	2,054,380,000	27.42%
Redwood Bay Investment Group International Company Limited (Note 1)	Beneficial owner	2,066,380,000	27.58%
WEI, Kai (Note 2)	Held by controlled entity	884,820,000	11.81%
Star Link Technology Limited (Note 2)	Beneficial owner	884,820,000	11.81%

Note 1: XU, Gongming is deemed to be interested in 2,054,380,000 shares held by Redwood Bay Investment Group International Company Limited, the company incorporated in the British Virgin Islands, which is wholly and beneficially owned by XU, Gongming.

Note 2: WEI, Kai is deemed to be interested in 884,820,000 shares held by Star Link Technology Limited, the company incorporated in the British Virgin Islands, which is wholly and beneficially owned by WEI, Kai.

Save as disclosed above, as at 30 September 2022, 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.

Competing interests

During the Period, none of the Directors, substantial shareholders, and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group or any conflicts of interest which had or might have 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 with 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 on Corporate Governance (“**Corporate Governance Code**”) as set out in Appendix 15 to the GEM Listing Rules, 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. 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 CEO of the Company on 1 January 2021, 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 Corporate Governance 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 Corporate Governance Code during the Period.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance 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 November 2022

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