



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 2023

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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 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2023

		Three months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	1,429,188	988,291
Cost of services rendered		<u>(1,420,951)</u>	<u>(984,565)</u>
Gross profit		8,237	3,726
Other income	4	979	781
Other loss		(2,398)	(4,970)
Administrative and other operating expenses		(9,546)	(11,479)
Finance costs	6	<u>(322)</u>	<u>(468)</u>
Loss before taxation		(3,050)	(12,410)
Income tax expense	7	<u>(141)</u>	<u>(1,497)</u>
Loss for the period	5	<u><u>(3,191)</u></u>	<u><u>(13,907)</u></u>

		Three months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:			
	– Owners of the Company	(3,067)	(13,238)
	– Non-controlling interests	(124)	(669)
		<u>(3,191)</u>	<u>(13,907)</u>
			(Restated)
Loss per share			
	– Basic and diluted (HK cents per share)	9 <u>(0.82)</u>	<u>(3.53)</u>
Loss for the period			
		(3,191)	(13,907)
Other comprehensive expenses for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
	Exchange differences on translating foreign operations	<u>(10,027)</u>	<u>(18,868)</u>
Total comprehensive expense for the period, net of income tax:			
		<u>(13,218)</u>	<u>(32,775)</u>
Total comprehensive (expense) income for the period attributable to:			
	Owners of the Company	(12,902)	(35,130)
	Non-controlling interests	(316)	2,355
		<u>(13,218)</u>	<u>(32,775)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2023

	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 2023 (Audited)	74,926	288,469	(39,977)	16,798	5,869	346,085	6,164	352,249
Loss for the period	-	-	-	-	(3,068)	(3,068)	(124)	(3,192)
Exchange differences on translating foreign operations	-	-	(9,835)	-	-	(9,835)	(192)	(10,027)
Total comprehensive expense for the period	-	-	(9,835)	-	(3,068)	(12,903)	(316)	(13,219)
Balance at 30 September 2023 (Unaudited)	<u>74,926</u>	<u>288,469</u>	<u>(49,812)</u>	<u>16,798</u>	<u>2,801</u>	<u>333,182</u>	<u>5,848</u>	<u>339,030</u>

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>

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 2023 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 2023 are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2023.

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Trading of fresh produce and agricultural products	1,387,328	977,522
– Provision of excavation works and construction works	40,577	9,006
– Provision for heating supply services	–	–
	<u>1,427,905</u>	<u>986,528</u>
Revenue from other source		
– Interest income from money lending business	1,283	1,763
	<u>1,429,188</u>	<u>988,291</u>

4. OTHER INCOME

	Three months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	473	62
Gain on disposal of property, plant and equipment	450	–
Dividend income	34	–
Government grants	–	657
Sundry income	22	62
	<u>979</u>	<u>781</u>

5. LOSS FOR THE PERIOD

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

	Three months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	267	659
Depreciation of right-of-use assets	422	416
	<u>422</u>	<u>416</u>

6. FINANCE COSTS

	Three months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on other borrowings	260	–
Interest expenses on lease liabilities	62	142
Interest expenses on discounted bills	–	16
Interest on amount due to a former noteholder	–	310
	<u>322</u>	<u>468</u>

7. INCOME TAX EXPENSE

	Three months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	–	–
– People's Republic of China (“ PRC ”) Enterprise Income Tax	141	1,497
	<u>141</u>	<u>1,497</u>

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profit for the period ended 30 September 2023.

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 period ended 30 September 2023.

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 30 September 2023 (2022: 25%). Certain subsidiaries were subject to EIT at a rate of 5% for RMB3 million of profits, as they were classified as a small and low profit enterprise during the period ended 30 September 2023 and 2022.

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 2023 (2022: 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	
	2023	2022
	(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>(3,067)</u>	<u>(13,238)</u>
	Number of	Number of
	Shares	Shares
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>374,628</u>	<u>374,628</u>

The number of ordinary shares for the three months ended 30 September 2022 for the purpose of calculating basic and diluted loss per share have been adjusted for the capital reorganisation with effect from 28 April 2023.

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 2023 and 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 30 September 2023 (the “**Period**”), the Group recorded a revenue of approximately HK\$1,429.19 million (2022: HK\$988.29 million), representing an increase of approximately 44.61% as compared with that of the corresponding period in 2022. The increase in revenue was mainly contributed by the trading of fresh produce and agricultural products segment. The Group’s gross profit and its overall gross profit margin increased from HK\$3.73 million and 0.38% for the corresponding period in 2022 to HK\$8.24 million and 0.58% for the Period respectively. The increase in gross profit and gross profit margin was mainly due to the improvements of performance in the segment of the provision of coal mining services and construction services and in the segment of trading of fresh produce and agricultural products.

The Group recorded other income, which mainly comprised interest income and the gain of disposal of fixed assets, in the amount of approximately HK\$0.98 million (2022: HK\$0.78 million) for the Period. The Group recorded a loss of HK\$2.40 million (2022: HK\$4.97 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\$9.54 million (2022: HK\$11.48 million) and finance costs in the amount of HK\$0.32 million (2022: HK\$0.47 million). The Group recorded income tax expenses of HK\$0.14 million (2022: HK\$1.50 million).

In conclusion, the loss attributable to owners of the Company for the Period amounted to approximately HK\$3.07 million (2022: HK\$13.24 million). The decrease in loss was mainly due to the increase in gross profit from HK\$3.73 million to HK\$8.24 million and the decrease of loss in the investments in listed securities.

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\$40.58 million (2022: HK\$9.01 million) from the provision of coal mining & construction services to two customers which accounted for 2.84% of the Group’s total revenue. The increases in revenue and gross profit were mainly due to the Group provided services under the management contracts to two customers while there was only one customer in the corresponding period in 2022. Besides, the operations went smoothly during the Period. This segment recorded a loss of approximately HK\$1.78 million (2022: HK\$9.79 million).

Money lending business

During the Period, the revenue from loan interest income was approximately HK\$1.28 million (2022: HK\$1.76 million) which accounted for 0.09% of the Group's total revenue. The decrease in revenue in this segment was mainly attributable to the decline in loan balances. The decline was due to certain borrowers have repaid their outstanding loans during the Period and the Group was more cautious in granting new loans. As at 30 September 2023, the net balance of the loan receivables was approximately HK\$44.47 million (30 June 2023: HK\$74.79 million). This segment recorded a profit of approximately HK\$0.31 million during the Period (2022: loss of HK\$0.03 million).

The Group operates its money lending business in Hong Kong through Great Wall Credit Limited (the "**HK Subsidiary**"), an indirect wholly-owned 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 Smart City (Shenzhen) Investment Company Limited (the "**SZ Subsidiary**"), another indirect wholly-owned subsidiary of the Company respectively. Loan financing is the only money lending service provided by the Group, and the Group's customers principally include individuals introduced to the directors of the HK Subsidiary and the SZ Subsidiary through business or personal networks or referral from business counterparts of the Group. The Group does not have a specific target loan size but assesses each application on the basis of its merit and will determine whether security in the form of legal charge on property or personal guarantee provided by third parties would be required.

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 6.0% to 18.0% per annum. The loans granted by the Group are short-term and all of the outstanding loans originally have a term of no more than one year but certain loans were overdue. Save for a loan of approximately HK\$2.79 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 third parties. As at 30 September 2023, the top five borrowers of the Group constituted 46.77% of the total principal amount of the Group's loan portfolio and 50.86% of the Group's loan receivables (including interest receivables).

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 to secure the borrowers' repayment.

Provision for heating supply

As affected by the rising international commodity and energy prices and the high volatility in the prices of gas, the Group has terminated the services in Tianjin and temporarily suspended its heating supply services. The Group will continue to monitor and assess market condition to consider if it would be appropriate to resume operation of the segment. During the Period, no revenue was recorded in this segment.

Trading of fresh produce and agricultural products and general trading

The Group imported fruits, mainly durians from Thailand and Vietnam, to the PRC. The Group also purchased fruits from a local supplier and distributed them to the market. Besides, the Group sourced quality live pigs and cattle from renowned suppliers and farms in Guangxi, Jiangxi and Hunan, and sold them to cities in Guangdong Province such as Shenzhen, Huizhou, Dongguan. Besides, the Group expanded the scope of the trading business to agricultural products such as sugar and eggs. During the Period, the Group recorded a revenue of approximately HK\$1,387.33 million (2022: HK\$977.52 million), which accounted for 97.07% of the Group's total revenue and a segment profit of HK\$2.54 million from the trading of fresh produce and agricultural products. The increase in revenue and gross profit was mainly due to the trading segment which achieved operational maturity during the Period.

Investment in listed securities

As at 30 September 2023, the Group invested in securities listed on exchanges in Hong Kong (i.e. financial assets at FVTPL), the financial assets at FVTPL amounted to approximately HK\$34.73 million (30 June 2023: HK\$34.33 million). During the Period, the Group recorded a loss of fair value change on financial assets at FVTPL of approximately HK\$2.40 million (2022: HK\$4.97 million).

Pledge of assets

As at 30 September 2023, a bank deposit of RMB500,000 was restricted by a bank in respect of the issue of customs guarantee to the PRC customs department. The restricted bank deposit will be released upon the completion of the respective transactions.

Other Borrowing

As at 30 September 2023, an unsecured borrowing of approximately RMB12,000,000 carried fixed rate of 5.5% per annum was provided by an independent third party for financing the Group's operation.

Outlook

The Board expects the revenue from the provision of coal mining and construction services to remain stable notwithstanding the challenges of increasing production costs 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 with new projects. Accordingly, the Group has been actively pursuing new customers so as to enlarge its customer base.

The Group has temporarily suspended the segment of provision of heating supply services, but this service may be resumed if good investment opportunities in this industry are identified.

The Group will continue to exercise significant control over the granting of loans as well as monitor its outstanding loans receivables to minimise credit risk with respect to its money lending business.

The Directors considered that the growing purchasing power and rising living standard of the population of 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 of fresh produce and agricultural products. The Directors are of the view that such business is the main driver for the growth of the Group and are also confident that this will help diversify the Group's business and generate more income and increase the profit margin of the Group in the long run.

As it is expected that the trading business will have a good business prospect and it is suitable for the development of the Group, the Group will expand the trading business to supply and trade other commodities so as to broaden its revenue source and expand its business portfolio.

OTHER INFORMATION

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

As at 30 September 2023, 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 2023, 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\$0.20 each of the Company

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
XU, Gongming	Beneficial owner	600,000	0.16%
XU, Gongming (<i>Note 1</i>)	Held by controlled entity	102,719,000	27.42%
Redwood Bay Investment Group International Company Limited (<i>Note 1</i>)	Beneficial owner	102,719,000	27.42%
YAN, Weiwei (<i>Note 2</i>)	Held by controlled entity	74,474,000	19.88%
Star Link Technology Limited (<i>Note 2</i>)	Beneficial owner	74,474,000	19.88%

Note 1: XU, Gongming is deemed to be interested in 102,719,000 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: YAN, Weiwei is deemed to be interested in 74,474,000 shares held by Star Link Technology Limited, the company incorporated in the British Virgin Islands, which is wholly and beneficially owned by YAN, Weiwei.

Save as disclosed above, as at 30 September 2023, 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. Mr. Cai Da, the chairman of the Company, who is responsible for providing leadership to and ensuring the effectiveness 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 GEM Listing Rules, for overall leadership in the strategic development of the business of the Group. Following the resignation of the chief executive officer of the Company in January 2021, the Board has not yet appointed a new chief executive of the Company. Currently, the duties of the chief executive have since then been undertaken by the executive directors of the Company collectively. 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 if a suitable candidate is selected to meet the expansion of the Group and so comply with code provision C.2.1 of the Corporate Governance Code. 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. Chen Xier, Mr. Huang Tianhua and Ms. Lei Ming.

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
Chairman

Hong Kong, 7 November 2023

As at the date of this report, the Board of the Company, comprises (i) three executive directors namely, Mr. Cai Da, Mr. Li Wai Hung and Mr. Wang Tong Tong; and (ii) four independent non-executive Directors namely, Ms. Wong Na Na, Mr. Chen Xier, Mr. Huang Tianhua and Ms. Lei Ming.