



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 2022

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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 2022, together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2022

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	79,998	27,688	131,111	110,469
Cost of services rendered		<u>(78,112)</u>	<u>(22,162)</u>	<u>(123,109)</u>	<u>(84,771)</u>
Gross profit		1,886	5,526	8,002	25,698
Other income	4	4,434	2,077	7,552	6,244
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		(3,566)	9,439	475	2,170
Administrative and other operating expenses		(8,584)	(11,236)	(31,372)	(33,018)
Finance costs	6	<u>(335)</u>	<u>(642)</u>	<u>(1,180)</u>	<u>(2,175)</u>
(Loss) profit before tax		(6,165)	5,164	(16,523)	(1,081)
Income tax (expenses) credit	7	<u>(590)</u>	<u>79</u>	<u>(1,653)</u>	<u>(2,610)</u>
(Loss) profit for the period	5	<u>(6,755)</u>	<u>5,243</u>	<u>(18,176)</u>	<u>(3,691)</u>

	<i>Notes</i>	Three months ended		Nine months ended	
		31 March		31 March	
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period attributable to:					
– Owners of the Company		(4,955)	5,237	(16,091)	(3,423)
– Non-controlling interests		(1,800)	6	(2,085)	(268)
		<u>(6,755)</u>	<u>5,243</u>	<u>(18,176)</u>	<u>(3,691)</u>
(Loss) earning per share					
– Basic and diluted (HK cents per share)	9	<u>(0.07)</u>	<u>0.07</u>	<u>(0.21)</u>	<u>(0.05)</u>
(Loss) profit for the period		(6,755)	5,243	(18,176)	(3,691)
Other comprehensive income (expense)					
for the period, net of tax					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		<u>8,653</u>	<u>(1,362)</u>	<u>15,068</u>	<u>26,380</u>
Total comprehensive income (expense) for the period, net of income tax:		<u>1,898</u>	<u>3,881</u>	<u>(3,108)</u>	<u>22,689</u>
Total comprehensive income (expense) for the period attributable to:					
– Owners of the Company		3,656	3,880	(1,054)	22,697
– Non-controlling interests		(1,758)	1	(2,054)	(8)
		<u>1,898</u>	<u>3,881</u>	<u>(3,108)</u>	<u>22,689</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2022

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Distribution reserve	Foreign currency translation reserve	Other reserve	Retained earning (accumulated losses)	Total equity			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 July 2021 (Audited)	74,926	288,469	(19,969)	2,882	19,457	365,765	66	365,831	
Loss for the period	-	-	-	-	(16,091)	(16,091)	(2,085)	(18,176)	
Exchange differences on translating foreign operations	-	-	15,037	-	-	15,037	31	15,068	
Total comprehensive income (expense) for the period	-	-	15,037	-	(16,091)	(1,054)	(2,054)	(3,108)	
Capital contribution by non-controlling interest	-	-	-	-	-	-	5,983	5,983	
Balance at 31 March 2022 (Unaudited)	<u>74,926</u>	<u>288,469</u>	<u>(4,932)</u>	<u>2,882</u>	<u>3,366</u>	<u>364,711</u>	<u>3,995</u>	<u>368,706</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 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>	

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; (iii) provision of money lending services and (iv) fresh produce products trading.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the nine months ended 31 March 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.

Save as disclosed the new adopted revised amendments in the interim report for the period ended 31 December 2021, the accounting policies and methods of computation applied in preparation of the unaudited condensed consolidated results for the nine months ended 31 March 2022 are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 30 June 2021.

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		Nine months ended	
	31 March		31 March	
	2022	2021	2022	2021
	(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	15,940	20,515	56,283	94,494
– Provision for heating supply services	3,940	4,009	6,440	6,518
– Fresh produce products trading	56,999	–	58,931	–
	<u>76,879</u>	<u>24,524</u>	<u>121,654</u>	<u>101,012</u>
Revenue from other source				
– Interest income from money lending services	3,119	3,164	9,457	9,457
	<u>79,998</u>	<u>27,688</u>	<u>131,111</u>	<u>110,469</u>

4. OTHER INCOME

	Three months ended		Nine months ended	
	31 March		31 March	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	53	228	222	725
Handling income	1,310	744	3,425	1,895
Leasing income from machinery	–	12	–	898
Government grants	3,069	1,034	3,826	1,302
Gain on disposal of property, plant and equipment	–	45	–	875
Sundry income	–	14	–	549
Dividend income from equity securities	2	–	79	–
	<u>4,434</u>	<u>2,077</u>	<u>7,552</u>	<u>6,244</u>

5. PROFIT (LOSS) FOR THE PERIOD

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	889	703	2,288	1,924
Depreciation of right-of-use assets	129	349	388	930
	<u>1,018</u>	<u>1,052</u>	<u>2,676</u>	<u>2,854</u>

6. FINANCE COSTS

	Three months ended		Nine months ended	
	31 March		31 March	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on amount due to a former noteholder	303	580	1,015	1,594
Interest expenses on discounted bills	–	55	14	175
Imputed interest in lease liabilities	32	7	151	30
Imputed interest on promissory note	–	–	–	376
	<u>335</u>	<u>642</u>	<u>1,180</u>	<u>2,175</u>

7. INCOME TAX EXPENSES (CREDIT)

	Three months ended		Nine months ended	
	31 March		31 March	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong	13	30	67	135
– People's Republic of China (“PRC”)	577	(109)	1,586	2,475
Deferred tax credit	–	–	–	–
	<u>590</u>	<u>(79)</u>	<u>1,653</u>	<u>2,610</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 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 nine months ended 31 March 2022 (2021: Nil).

9. (LOSS) EARNING PER SHARE

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) earning				
(Loss) earning for the purpose of basic and diluted (loss) earning per share (for the period attributable to owners of the Company)	<u>(4,955)</u>	<u>5,237</u>	<u>(16,091)</u>	<u>(3,423)</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) earning per share	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>

Diluted (loss) earning per share was the same as the basic (loss) earning per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2021 and 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the nine months ended 31 March 2022 (the “**Period**”), the Group recorded a revenue of approximately HK\$131.11 million (2021: HK\$110.47 million), representing an increase of approximately 18.69% as compared with that of the corresponding period in 2021. The increase in revenue was due to the commencement of new business, trading of fresh produce products. The Group’s gross profit and its overall gross profit margin decreased from HK\$25.70 million and 23.26% for the corresponding period in 2021 to HK\$8.00 million and 6.10% for the Period respectively. The decreases in gross profit and gross profit margin were mainly due to the decline in revenue of excavation works and provision of construction works, gross loss of trading of fresh produce products, and increase in gas costs.

The Group recorded other income, which mainly comprised the handling income for coal packing services, government grants and interest income, in the amount of approximately HK\$7.55 million (2021: HK\$6.24 million) for the Period. The increase in other income is mainly due to more grants received from the local government of Tianjin for the provision of heat services and increasing handling income for coal packing services.

The Group recorded a gain of HK\$0.48 million (2021: HK\$2.17 million) of fair value change on financial assets at fair value through profit or loss, which was attributable to gain from investments in listed securities. The Group recorded administrative and other operating expenses in the amount of HK\$31.37 million (2021: HK\$33.02 million). The decrease in administrative and other operating expenses was mainly due to the implementation of effective cost control measures. The Group recorded finance costs in the amount of HK\$1.18 million (2021: HK\$2.18 million). The decrease in finance costs was mainly due to the absence of imputed interest on promissory notes and the repayments of the amount due to a former note holder. The Group recorded income tax expense in the amount of HK\$1.65 million (2021: HK\$2.61 million), the decrease in taxation is in line with the decrease in operating profit.

In conclusion, the loss attributable to owners of the Company for the Period amounted to approximately HK\$16.09 million (2021: HK\$3.42 million). The increase in loss was mainly due to the decrease in gross profit.

Provision of coal mining & construction services

The revenue of this segment comprises service income from excavation works and provision of construction works. During the Period, the Group’s provision of coal mining & construction services to two customers recorded a revenue of approximately HK\$56.28 million (2021: HK\$94.49 million) which accounted for 42.93% of the Group’s total revenue.

The decrease in revenue was mainly due to a project for coal mining & construction services having been completed and not recording any revenue during the Period. This segment recorded a loss of approximately HK\$9.17 million during the Period.

Money lending business

The Group operates its money lending business through 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). The Group also granted 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 (2021: HK\$9.46 million) which accounted for 7.21% of the Group's total revenue. The interest rate charged by the Group ranged from 5% to 18% per annum. Save for a loan of HK\$3 million which was secured by a second charge on property, all loans extended by the Group were unsecured. This segment recorded a profit of approximately HK\$3.61 million during the Period.

Provision for heating supply

The Group provides heating supply services to customers in Tianjin, the PRC. During the Period, the Group recorded a revenue of approximately HK\$6.44 million (2021: HK\$6.52 million) and a gross loss of approximately HK\$2.92 million (2021: HK\$0.12 million) from the provision of heating supply services, which accounted for 4.91% of the Group's total revenue. Notwithstanding that the provision for heating supply service recorded a high gross loss margin due to the high price of gas, the Group has received a subsidy of approximately of HK\$3.83 million as other income from the PRC government. After taking into account the relevant administrative costs, this segment recorded a loss of approximately HK\$2.20 million in this segment during the Period.

Trading of fresh produce products

During the Period, the Group diversified into the business of trading fresh produce products (For details, please refer to the Company's announcements dated 23 November 2021 and 21 March 2022). The Group imported fruits, mainly durians, from Thailand to the PRC. In addition, the Group also involved, among others, sourcing quality live pigs from renowned suppliers and pig farms in Guangxi, Jiangxi and Hunan, and selling the live pigs to cities in Guangdong Province such as Shenzhen, Huizhou, Dongguan. The Group recorded a revenue of approximately HK\$58.93 million, a gross loss of approximately HK\$1.92 million, and a loss of HK\$3.55 million from the trading of fresh produce products during the Period. The gross loss was caused by an extraordinary situation that which the fruit perishing as a result of the Covid-19 pandemic wracked havoc on the supply chain for fruit.

Investment in listed securities

As at 31 March 2022, the Group invested in securities listed in Hong Kong, the United States and the PRC markets (i.e. financial assets at fair value through profit and loss (“FVTPL”)), the financial assets at FVTPL amounted to approximately HK\$30.31 million (30 June 2021: HK\$27.33 million). During the Period, the Group recorded a gain of fair value change on financial assets at FVTPL of approximately HK\$0.48 million (2021: HK\$2.17 million).

Outlook

The Directors expect the provision of coal mining and construction services will remain one of the Group’s major sources of revenue notwithstanding the challenges of increasing production costs and intense market competition. Given that the income from the provision of coal-mining service 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 to acquire new customers during the Period, it will continue to actively pursue for new customers to enlarge its customer base.

There has been an increase in demand for heating system and such a growing trend is expected to continue in the coming years due to rapid urbanisation and the implementation of environmental regulations which facilitate the conversion of boilers from using 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 of its business in Tianjin and Beijing. The Company would be cautious when assessing and considering potential investment opportunities.

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

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 the business of trading of fresh produce products. The Directors are also confident that this new principal business segment will help diversify the Group’s business and will generate more income and increase the profit of the Group in the long run. As a good business prospect for this segment is expected, the Group deploys more resources to it.

Use of proceeds from 2016 Placing

As disclosed in the announcement 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 the 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 2016 Placing to develop clean energy heat supply services in Shandong (“**Shandong Project**”) (subsequently ceased in 2017) and Tianjin (“**Tianjin Project**”).

The breakdown for the usage of the proceeds up to 31 March 2022 is as follows:

	Actual net proceeds <i>HKD</i>	The cumulative usage of 2016 Placing proceeds up to 31 December 2021 <i>HKD</i>	For the Period <i>HKD</i>	Unutilised Proceeds as at 31 March 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>	Nil	<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 Period 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. All of the potential investments which the Company is currently considering are at a preliminary stage and therefore further information, including the amount of the Unutilised Proceeds which is intended to be applied to such investment(s), may be provided once the Company and the counterparty(ies) have reached binding commercial terms for such investments.

Given the Company is still considering the potential investments and the negotiation with the counterparty(s) on commercial terms are still at a preliminary stage, the Company does not have an expected timeline for the utilisation of the Unutilised Proceeds. In view of the above, the directors consider that the potential investments currently being considered by the Company in relation to the provision of heat supply services using natural gas are consistent with the Intended Purposes.

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.

Material acquisitions and disposals

On 23 November 2021, Smart City, an indirect wholly-owned subsidiary of the Company, and Mr. Xie, as purchasers on the one part, and the Vendor, as vendor on the other part, entered into the equity transfer agreement, pursuant to which Smart City and Mr. Xie have agreed to acquire 51% and 49% equity interest in the Zhongtai Hongzhi Technology (Shenzhen) Company Limited* (“**Zhongtai**”) from the Vendor respectively in accordance with the terms of the equity transfer agreement. Following the completion of the equity transfer, Smart City and Mr. Xie hold 51% and 49% of the equity interest of the Zhongtai respectively. (For details, please refer to the Company's announcement dated 23 November 2021).

On 12 April 2022, the Group disposed of its 30% interest in Asset Management International Limited together with its subsidiaries (the “**Asset Management Group**”) at a cash consideration of HK\$1 million (the “**Disposal**”). Asset Management Group engages principally in security investment. It is expected that the Group would record a book gain of approximately HK\$1 million from the Disposal. The actual gain or loss in connection with the Disposal is subject to audit. Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associates of the Group during the Period and up to the date of this announcement.

Liquidity and financial resources

As at 31 March 2022, the Group held cash and cash equivalents of approximately HK\$155.14 million (30 June 2021: HK\$167.15 million). Net current assets amounted to approximately HK\$351.33 million (30 June 2021: HK\$348.89 million). As at 31 March 2022, the current ratio (defined as total current assets divided by total current liabilities) was approximately 4.82 times (30 June 2021: 3.67 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.20 (30 June 2021: 0.27). The Group did not have bank borrowing as at 31 March 2022 (30 June 2021: Nil).

Pledge of assets

As at 31 March 2022, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 March 2022, there were 349 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 2022, 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 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 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 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 (<i>Note 1</i>)	Held by controlled entity	1,577,380,000	21.05%
Redwood Bay Investment Group International Company Limited (<i>Note 1</i>)	Beneficial owner	1,577,380,000	21.05%
WEI, Kai	Beneficial owner	232,900,000	3.11%
WEI, Kai (<i>Note 2</i>)	Held by controlled entity	884,820,000	11.81%
Star Link Technology Limited (<i>Note 2</i>)	Beneficial owner	884,820,000	11.81%

Note 1: XU, Gongming is deemed to be interested in 1,577,380,000 shares held by Redwood Bay Investment Group International Company Limited, the company is 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 is incorporated in the British Virgin Islands, which is wholly and beneficially owned by WEI, Kai.

Save as disclosed above, as at 31 March 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.

Share Options Scheme

The Company has adopted a share options scheme as approved by the shareholders of the Company at the annual general meeting of the Company held on 12 December 2014 (the “**2014 AGM**”), pursuant to which the Company may grant options to subscribe for 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 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 share options scheme since its adoption.

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 a high standard of corporate governance for the enhancement of shareholders’ value. Pursuant to code provision A.2.1 of the Code on Corporate Governance Practices (“**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 (“**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 GEM Listing Rules, 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 the 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, 11 May 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.

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>.