



絲路能源服務集團有限公司 Silk Road Energy Services Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8250)



2016/2017
FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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 2016, together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2016

		For the three months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000 (Revised)
Revenue	3	154,481	78,705
Cost of sales and services rendered		(128,113)	(39,300)
		<hr/>	<hr/>
Gross profit		26,368	39,405
Investment and other income	4	13,494	146
Selling and distribution expenses		(793)	–
Administrative expenses		(15,296)	(15,520)
Other operating expenses		(5,639)	(4,466)
Amortization of customer contracts		(5,618)	(6,479)
Loss arising on change in fair value of held-for-trading investments		(12,479)	(4,292)
Share of results of associates		(415)	(62,465)
Finance costs	6	(1,849)	(5,409)
		<hr/>	<hr/>
Loss before taxation	5	(2,227)	(59,080)
Income tax expense	7	(56)	(5,225)
		<hr/>	<hr/>
Loss for the period		(2,283)	(64,305)

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000 (Revised)
Other comprehensive expense for the period, net of tax		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(4,448)	(15,035)
	<hr/>	<hr/>
Total comprehensive expense for the period, net of tax attributable to:	(6,731)	(79,340)
	<hr/>	<hr/>
Loss attributable to:		
Owners of the parent	(3,696)	(64,305)
Non-controlling interests	1,413	–
	<hr/>	<hr/>
	(2,283)	(64,305)
	<hr/>	<hr/>
Total comprehensive expense attributable to:		
Owners of the parent	(8,144)	(79,340)
Non-controlling interests	1,413	–
	<hr/>	<hr/>
	(6,731)	(79,340)
	<hr/>	<hr/>
Loss per share		
Basic and diluted (HK cents per share)	(0.05)	(1.11)
	<hr/>	<hr/>

8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity attributable to owners of the Company HK\$'000
Balance at 1 July 2016 (Audited)	342,938	652,901	(27,815)	(3,383)	(257,833)	706,808	10,521	717,329
Loss for the period	-	-	-	-	(3,696)	(3,696)	1,413	(2,283)
Other comprehensive expense for the period	-	-	(4,448)	-	-	(4,448)	-	(4,448)
Total comprehensive expense for the period	-	-	(4,448)	-	(3,696)	(8,144)	1,413	(6,731)
Fair value change of available-for-sale investments	-	-	-	(4,570)	-	(4,570)	-	(4,570)
Additional non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	5,093	5,093
Balance at 30 September 2016 (Unaudited)	342,938	652,901	(32,263)	(7,953)	(261,529)	694,094	17,027	711,121

For the three months ended 30 September 2015

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Unlisted warrants reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000
Balance at 1 July 2015 (Audited)	290,625	503,759	(1,461)	3,686	(131,476)	665,133
Loss for the period	-	-	-	-	(64,305)	(64,305)
Exchange differences on translation of foreign operations	-	-	(15,035)	-	-	(15,035)
Loss and total comprehensive expense for the period	-	-	(15,035)	-	(64,305)	(79,340)
Transfer of unlisted warrants reserve upon lapse of unlisted warrants	-	-	-	(3,686)	3,686	-
Balance at 30 September 2015 (Unaudited)	290,625	503,759	(16,496)	-	(192,095)	585,793

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) provision of coal mining services; (ii) processing and trading of fluorite products; (iii) trading of other mineral products; (iv) provision of advertising and public relations services and (v) provision of money lending services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results 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 used in the preparation of the unaudited condensed consolidated results are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2016.

3. REVENUE

The Group's revenue represents revenue arising from (i) provision of coal mining services, (ii) processing and trading of fluorite products, (iii) trading of other mineral products, (iv) provision of advertising and public relations services and (v) provision of money lending services. An analysis of the Group's revenue for the period is as follows:

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of coal mining services	64,454	65,218
Processing and trading of fluorite products	–	–
Trading of other mineral products	72,316	–
Provision of advertising and public relations services	14,083	10,737
Provision of money lending services	3,628	2,750
	<hr/>	<hr/>
	154,481	78,705
	<hr/>	<hr/>

4. INVESTMENT AND OTHER INCOME

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	14	25
Gain on disposal of held-for-trading investments	13,396	–
Sundry income	84	121
	<hr/>	<hr/>
	13,494	146
	<hr/>	<hr/>

5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,651	2,157
Amortization of customer contracts	5,618	6,479

6. FINANCE COSTS

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000 (Revised)
Interest expenses on discounted bills	103	9
Imputed interest on promissory notes	1,746	3,902
Imputed interest on contingent consideration payable	-	1,498

7. INCOME TAX EXPENSE

	For the three months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax:		
– Hong Kong Profits Tax	1,114	900
– People's Republic of China ("PRC") Enterprise Income Tax	456	6,058
Deferred tax credit	(1,514)	(1,733)
	<hr/>	<hr/>
	56	5,225

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

Subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% for both periods.

Profits of the subsidiary established in Mongolia are subject to Mongolian Economic Entity Income Tax ("EET"). Under the Law of Mongolia on EET, the tax rate of the Mongolian subsidiary was 10% for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS PER SHARE

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purpose of basic and diluted loss per share (for the period attributable to owners of the Company)	(3,696)	(64,305)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	6,858,762,333	5,812,502,338
Basic and diluted (HK cents per share)	(0.05)	(1.11)

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months ended 30 September 2015 and 30 September 2016.

9. CAPITAL COMMITMENTS

The Group's capital commitments as at 30 September 2016 are as follows:

	For the three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Contracted but not yet paid	85,388	–

10. COMPARATIVE FIGURES

As a result of the reclassification of imputed interest on promissory notes and contingent consideration payable set out in note 6, certain comparative figures have been adjusted to confirm to current period's presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 30 September 2016 (the “Period”), the Group recorded a revenue of approximately HK\$154.48 million (2015: HK\$78.71 million), representing an increase of 96.26% as compared with that of the corresponding period in 2015. The substantial increase in revenue was mainly due to the resumption of the operations in trading of other mineral products. The trading of other mineral products segment contributed approximately HK\$72.32 million revenue (2015: Nil). The gross profit for the Period was approximately HK\$26.37 million (2015: HK\$39.41 million), representing a decrease of 33.09% as compared with that of the corresponding period last year. The decrease in gross profit for the Period was mainly due to the trading business with a relatively low gross profit ratio as compared to the other business segments. Furthermore, the mine owner and the Group reached a consensus to decrease the service rate for the year 2016. The investment and other income increased from HK\$0.15 million to HK\$13.49 million, primarily due to a gain of HK\$13.40 million on disposal of securities during the Period. The administrative expense was approximately HK\$15.30 million (2015: HK\$15.52 million). The Group recorded a loss arising on change in fair value of the listed securities amounted to HK\$12.48 million (2015: HK\$4.29 million) from the investment in held-for-trading securities. Such loss was mainly as a result of the volatility of the securities market. A share of loss of approximately HK\$0.42 million (2015: HK\$62.47 million) from the investment in the associated companies. The significant decrease in the share of loss was primarily due to the absence of significant loss on investment in securities that recorded in the corresponding period last year.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$3.70 million (2015: HK\$64.31 million). The decrease in loss was mainly due to the decrease in share of the loss of investment in associates.

Provision of coal mining services

The Group provided coal mining services to six coal mines during the Period under the terms of the respective management contracts signed between the Group and the mine owners. The major revenue of this segment composes of service incomes from coal production and excavation works. During the three months ended 30 September 2016, approximately 3.48 million tonnes of coal had been produced and approximately 5.20 kilometres of tunnels had been excavated by the Group.

During the Period, the Group's provision of coal mining services recorded a revenue of approximately HK\$64.45 million (2015: HK\$65.22 million) which accounted for 41.72% of the Group's total revenue.

Fluorite processing and trading business

The Group owns a fluorite powder processing factory and two mines with exploitation licenses expiring in 2037 in Mongolia. The fluorite product segment has reported continuing losses and its future profitability is uncertain due to the unfavourable market conditions in recent years. The operation of this business segment has been suspended and accordingly no revenue was generated and an insignificant loss incurred during the Period.

Trading of other mineral products

The Group resumed the operation of its trading of other mineral products (other than fluorites products) in the PRC. This segment recorded a revenue of approximately HK\$72.32 million (2015: Nil) which accounted for 46.81% of the Group's total revenue. Even though the gross profit margin is low because the market conditions for mineral products have not been improved much, the Group resumed this segment for maintaining its business networks.



Advertising and public relations business

The Group provided advertising and public relations services through PR ASIA Consultants Limited (“PR ASIA Consultants”) which offers strategic consulting services in corporate communications, media relations, investor relations, issue/crisis management, media training and event management to a wide range of listed and non-listed companies in both Hong Kong and China.

During the Period, the advertising and public relations segment recorded a revenue of approximately HK\$14.08 million (2015: HK\$10.74 million) which accounted for 9.12% of the Group’s total revenue.

On 16 October 2016, the Group, as vendor, entered into a sales and purchase agreement with an independent third party, as purchaser, pursuant to which the Group conditionally agreed to sell, and the vendor conditionally agreed to acquire, 60% of the issued share capital of the PR ASIA Investment Holdings Limited (“PR ASIA Investment”), an indirectly wholly-owned subsidiary of the Company, and which directly holds 100% equity interest of PR ASIA Consultants, at a total consideration of HK\$36.3 million. Upon the completion of the disposal on 2 November 2016, PR ASIA Consultants will no longer be a subsidiary of the Company and the Group will cease to hold any equity interest in each member of the PR ASIA Investment and its subsidiaries.

Money lending business

The Group operates its money lending business through Profit Finance Limited, an indirectly wholly-owned subsidiary of the Company, which obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). During the Period, the revenue from loan interest income was approximately HK\$3.63 million (2015: HK\$2.75 million) which accounted for 2.35% of the Group’s total revenue. The interest rate charged by the Group ranged from 5% to 10% per annum. The loans were unsecured, with credit terms ranging from six months to one year.

Provision for heating supply services

On 10 August 2016, the Group has acquired 51% of a company engaged in the operation of energy saving and environmentally friendly heating system and provision of related services. The company indirectly owns a heating system project in Heze City of Shandong Province of the PRC. The country government has granted the Company a 30-year exclusivity to supply heat in Longgu Town until the end of 2045. The operation of the Company is expected to generate heating supplies covering an area of 1.85 million square meters.

On 11 August 2016, Beijing Dawei New Energy Technology Services Limited* (“Beijing Dawei”), a wholly-owned subsidiary of the Company, entered into a cooperation agreement (the “Cooperation Agreement”) with the People’s Government of Wang Wen Zhuang, Xiqing District, Tianjin City* (“Wang Wen Zhuang Government”) to set out the framework for the parties’ cooperation in transforming the existing coal-fired heating systems in Wang Wen Zhuang, Tianjin City, the PRC to those powered by natural gas. Pursuant to the Cooperation Agreement, the cooperation includes transformation of coal-fired heating systems in three villages in Wang Wen Zhuang Town with heat supply area of approximately 323,000 meter square. Furthermore, Beijing Dawei shall be given priority to operate the heating project with a preliminary estimated heat supply area of 4 million meter square proposed to be launched in the second phase demonstration town in Wang Wen Zhuang, on the same terms as offered by other heat suppliers. Definitive agreement in relation to the transformation project in three villages in Wang Wen Zhuang Town has been entered into among the village representatives, Beijing Dawei and Wang Wen Zhuang Government.

The Directors consider that the entrance to heating supply business enables the Group to expand its presence in the growing market of environmentally friendly heating, and efforts to reduce emission in the PRC.



Investment in available-for-sale investment and held-for-trading securities

As at 30 September 2016, the Company had available-for-sale investment and held-for-trading investment in certain listed securities in Hong Kong, the market value amounted to approximately HK\$53.34 million (2015: Nil) and HK\$23.26 million (30 June 2016: HK\$69.62 million) respectively. During the Period, a loss arising on change in fair value of the listed securities of approximately HK\$12.48 million (2015: HK\$4.29 million) was recorded.

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. During the Period, the Group recorded a share of loss of approximately HK\$0.42 million (HK\$62.46 million) from the investment in Asset Management Group.

Outlook

The coal industry was suffered by various factors such as the slowdown in domestic macro-economic growth, control of total energy consumption and optimization of energy structure. There was a sustained oversupply in the coal industry, the Chinese government implemented policy of limiting coal production to prop up prices, the coal price gradually recovered in recent months. However, the production capacity would be affected by the production limitation policy. This may affect the future performance of the segment of provision of coal mining services.

In view of the fluctuation in the prices of mineral products, the Group will pay close attention to the changes in the macroeconomic situation and carry out the trading business in a cautious manner.



The Directors are of the view that the disposal of PR ASIA Investment (the “Disposal”) represents a good opportunity for the Group to realise its investments in the provision of advertising and public relations services in order to focus more resources for the development of its other principal business segments and to strengthen the capital base of the Group. Due to the launch of favourable policies by the Chinese Government to help boost the environmental heat supply industry, the Group views its new heat supply operation as a promising prospect. The Group intends to develop its environmentally friendly heating system powered by clean energy business and thus will seek to allocate more resources in developing this business area. It is the current intention of the Group to use the net proceeds from the Disposal for general working capital of the Group and/or future development of the Group.

The Group has placed orders to purchase heat supply machines and started to install the machines in the relevant sites, it expects the provision for heat supply service will start in mid November 2016. In line with the Group’s strategy to develop its environmentally friendly heating business, the Group has established certain subsidiaries in Shandong, Tianjin and Jiangsu for the operation of heat supply business. The Group intends to enter into cooperation agreements and establishing joint ventures with business partners in relevant areas. The Group believes that the cooperation with various business partners will enable it to jointly develop and expand heat supply business by utilising the resources and strengths of each party with an aim to expand the business scope and market share rapidly on heat supply 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 in the PRC. Furthermore, as various government policies have been implemented to encourage development of environmentally friendly heating systems to replace those powered by coal energy thereby reducing emissions, the Group can also take advantage of the favourable policies to develop its clean energy heating business in the PRC. Accordingly, the Company is optimistic about the prospect of the heat market, especially the segment of environmentally friendly heating system, to generate greater value for the Group and maximise returns to shareholders of the Company.



Share capital

As at 1 July 2016 and 30 September 2016, the authorized share capital of the Company was HK\$1,500,000,000 divided into 30,000,000,000 shares of the Company of HK\$0.05 each ("Share(s)"), and the issued share capital of the Company was approximately HK\$342,938,000 divided into 6,858,762,338 Shares. There was no movement in the issued share capital of the Company during the Period.

Use of proceeds from placing

The Company completed the placing of an aggregate of 1,046,260,000 new shares of HK\$0.05 each in the Company on 21 April 2016. The net proceeds from the Placing was of approximately HK\$201.28 million. The Group intend 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 the date of report, the Group had utilized approximately HK\$72.98 million for the investment in the joint ventures for the provision of heat services, purchasing heat supply equipment and the operating costs for provision of heat services, and approximately HK\$33.69 million for general working capital.

OTHER INFORMATION

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

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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, were as follows:

Long position in the ordinary shares of HK\$0.05 each of the Company

Name of Directors	Capacity	Number of Shares Held	Percentage of Shares in issue (Approximate)
Mr. Hu Zhixiong	Beneficial owner	38,400,000	0.56%
	Held by controlled entity (Note)	1,300,000,000	18.95%

Note: The shares are held by Tai Pu Mining International Co., Ltd, whereas Tai Pu Mining International Co., Ltd is a company incorporated in British Virgin Islands, which is wholly and beneficially owned by Mr. Hu Zhixiong.

Save as disclosed above, 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

Save as disclosed under the section heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in this report, 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 corporate.



Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 September 2016, so far as is known to the Directors and the Chief Executives, the interests and short positions of the persons or corporations (other than the interests of the Directors and the chief executives as disclosed above) 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 or any other members of the Group.

As at 30 September 2016, no other person or corporation (other than the Directors and the Chief Executives) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Share Options Scheme

A share options scheme was passed by the shareholders of the Company at the annual general meeting of the Company held on 12 December 2014 (the "2014 AGM"), thereby allowing the Company to grant options for subscription of up to a total of 533,250,233 shares of the Company, representing 10% of the 5,332,502,338 shares of the Company in issue as at the date of the 2014 AGM. The new share options scheme will enable the Company to reward and provide incentives to, and strengthen the Group's business relationship with, the eligible participants who may contribute to the growth and development of the Group. No options have been granted under the new share options scheme as at the date of this report.

Competing Interests

During the Period, none of the Directors or controlling shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in a business which competes or may compete with the business of the Group or had or might have any conflicts of interest with the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

Compliance with Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as a code of conduct of the Company regarding securities transactions by the Directors. The Company has made specific enquiry of all the Directors, and the Directors have complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by the Directors throughout the Period.

Code on Corporate Governance Practices

The Company endeavours in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has applied the principles of and complied with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules during the Period.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to (i) review the Company's annual report and accounts, interim reports and quarterly reports; (ii) provide advice and comments thereon to the Board; and (iii) review and supervise the Group's financial reporting and internal control procedures. The Audit Committee comprises three independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang and Ms. Feng Jibei.



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.

Change in Information of Director

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors since the date of annual report of the Company for the year ended 30 June 2016 are set out below:

Name of Directors	Details of Change
Chen Youhua	Salary revised to HK\$100,000 per month with effect from 1 September 2016
Liu Baoyu	Salary revised to HK\$20,000 per month with effect from 1 September 2016

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

By Order of the Board
Silk Road Energy Services Group Limited
Cai Da
Chairman

Hong Kong, 11 November 2016

As at the date of this report, the Board of the Company, comprises (i) six executive Directors namely, Mr. Cai Da, Mr. Zhou, Francis Bingrong, Mr. Chen Youhua, Mr. Hu Zhixiong, Mr. Li Wai Hung and Mr. Liu Baoyu; and (ii) three independent non-executive Directors namely, Ms. Wong Na Na, Mr. Wang Zhixiang, and Ms. Feng Jibei.