



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)



2017/2018
FIRST QUARTERLY REPORT

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

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*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 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2017

| | | Three months ended 30 September | |
|---|-------|------------------------------------|------------------------|
| | | 2017 | 2016 |
| | | (Unaudited) | (Unaudited) |
| | Notes | HK\$'000 | HK\$'000 (Restated) |
| Revenue | 3 | 77,533 | 140,398 |
| Cost of sales and services rendered | | (61,780) | (125,929) |
| Gross profit | | 15,753 | 14,469 |
| Investment and other income | 4 | 1,514 | 13,484 |
| Selling and distribution expenses | | – | (793) |
| Administrative expenses | | (7,926) | (8,250) |
| Other operating expenses | | (6,702) | (1,668) |
| Amortization of customer contracts | | (7,529) | (5,618) |
| Gain/(loss) arising on change in fair value of held-for-trading investments | | 3,839 | (12,479) |
| Loss or disposal of subsidiaries | | (1,016) | – |
| Share of results of associates | | – | (415) |
| Finance costs | 6 | (1,605) | (1,849) |
| Loss before taxation | 5 | (3,672) | (3,119) |
| Income tax credit | 7 | 114 | 629 |
| Loss for the period from continuing operations | | (3,558) | (2,490) |
| Discontinued operations | | | |
| Profit for the period from discontinued operations | 8 | – | 207 |
| Loss for the period | | (3,558) | (2,283) |

| | Three months ended | |
|--|---------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Loss for the period attributable to owners of the Company | | |
| – from continuing operations | (3,456) | (2,489) |
| – from discontinued operations | – | (1,207) |
| | <hr/> | <hr/> |
| Loss for the period attributable to owners of the Company | (3,456) | (3,696) |
| | <hr/> | <hr/> |
| (Loss) profit for the period attributable to non-controlling interests | | |
| – from continuing operations | (102) | (1) |
| – from discontinued operations | – | 1,414 |
| | <hr/> | <hr/> |
| (Loss) profit for the period attributable to non-controlling interests | (102) | 1,413 |
| | <hr/> | <hr/> |
| | (3,558) | (2,283) |
| | <hr/> | <hr/> |
| Loss per share | | |
| From continuing and discontinued operations | | |
| – Basic and diluted (HK cents per share) | (0.05) | (0.05) |
| | <hr/> | <hr/> |
| From continuing operations | | |
| – Basic and diluted (HK cents per share) | (0.05) | (0.04) |
| | <hr/> | <hr/> |

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| | Three months ended | |
|--|---------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Loss for the period | (3,558) | (2,283) |
| 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 | 8,342 | (4,448) |
| Total comprehensive income (expense) for the period, net of income tax: | 4,784 | (6,731) |
| Total comprehensive income (expenses) for the period attributable to: | | |
| Owners of the Company | 4,744 | (8,144) |
| Non-controlling interests | 40 | 1,413 |
| | 4,784 | (6,731) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2017

| | Share capital HK\$'000 | Share premium HK\$'000 | Foreign currency translation 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 2017 (Audited) | 342,728 | 652,695 | (29,998) | (401,444) | 563,981 | 14,620 | 578,601 |
| Loss for the period | - | - | - | (3,456) | (3,456) | (102) | (3,558) |
| Other comprehensive income for the period | - | - | 8,200 | - | 8,200 | 142 | 8,342 |
| Total comprehensive income (expense) for the period | - | - | 8,200 | (3,456) | 4,744 | 40 | 4,784 |
| Disposal of subsidiaries | - | - | 30 | - | 30 | (15,208) | (15,178) |
| Balance at 30 September 2017 (Unaudited) | 342,728 | 652,695 | (21,768) | (404,900) | 568,755 | (548) | 568,207 |

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 |

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) provision for heating supply services; (iii) trading of mineral products and (iv) 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 2017.

3. REVENUE

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

| | Three months ended | |
|---------------------------------------|---------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Provision of coal mining services | 74,209 | 64,454 |
| Provision for heating supply services | – | – |
| Trading of mineral products | – | 72,316 |
| Provision of money lending services | 3,324 | 3,628 |
| | <hr/> | <hr/> |
| | 77,533 | 140,398 |
| | <hr/> | <hr/> |

4. INVESTMENT AND OTHER INCOME

| | Three months ended | |
|--|---------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Interest income on bank deposits | 181 | 4 |
| Gain on disposal of held-for-trading investments | – | 13,396 |
| Sundry income | 1,333 | 84 |
| | <hr/> | <hr/> |
| | 1,514 | 13,484 |
| | <hr/> | <hr/> |

5. LOSS FROM OPERATING ACTIVITIES

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

| | Three months ended | |
|---|---------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Depreciation of property, plant and equipment | 2,202 | 2,190 |
| Amortization of customer contracts | 7,529 | 5,618 |

6. FINANCE COSTS

| | Three months ended | |
|---------------------------------------|---------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Interest expenses on discounted bills | – | 103 |
| Imputed interest on promissory notes | 1,605 | 1,746 |

7. INCOME TAX CREDIT

| | Three months ended 30 September | |
|---|------------------------------------|---|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 (Restated) |
| Current tax: | | |
| – Hong Kong Profits Tax | 406 | 429 |
| – People's Republic of China ("PRC") Enterprise Income Tax | 1,576 | 456 |
| Deferred tax credit | (2,096) | (1,514) |
| | <hr/> | <hr/> |
| | (114) | (629) |
| | <hr/> | <hr/> |

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.

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

8. DISCONTINUED OPERATIONS

The results of the discontinued operations included in the condensed consolidated statement of profit or loss and other comprehensive income are set out below.

| | Three months ended 30 September | |
|---|--|-------------|
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period from discontinued operations | | |
| Revenue | – | 14,083 |
| Cost of sales and services provided | – | (2,184) |
| Investment and other income | – | 10 |
| Administrative expenses | – | (7,046) |
| Other operating expenses | – | (3,971) |
| | | <hr/> |
| Profit before tax | – | 892 |
| Income tax expense | – | (685) |
| | | <hr/> |
| Profit for the period from discontinued operation | – | 207 |
| | | <hr/> |
| | Three months ended 30 September | |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period from discontinued operations has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | – | 461 |
| | | <hr/> |

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 30 September 2017 (2016: Nil).

10. LOSS PER SHARE

From continuing and discontinued operations

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 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 (Restated) |
|--|--|---|
| Loss | | |
| Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company) | (3,456) | (3,696) |
| | 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 per share | 6,854,562 | 6,858,722 |

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 2016 and 30 September 2017.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

| | Three months ended 30 September 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 (Restated) |
|---|--|---|
| Loss | | |
| Loss for the period attributable to owners of the Company | (3,456) | (3,696) |
| Less: loss for the period from discontinued operations | - | (1,207) |
| | <hr/> | <hr/> |
| Loss for the purpose of basic and diluted loss per share from continuing operations | (3,456) | (2,489) |
| | <hr/> | <hr/> |

The denominators used are same as those detailed above for both basic and diluted loss per share.

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 2016 and 30 September 2017.

From discontinued operations

The calculation of the basic and diluted loss per share from discontinued operations of the Company is based on the following data:

| Three months ended 30 September | |
|------------------------------------|-------------|
| 2017 | 2016 |
| (Unaudited) | (Unaudited) |
| HK\$'000 | HK\$'000 |
| | (Restated) |

Loss

Loss for the purpose of basic and diluted loss per share from discontinued operations

| | |
|---|---------|
| - | (1,207) |
|---|---------|

The denominator used are the same as those above for both basic and diluted loss per share.

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 2016 and 30 September 2017.

11. CAPITAL COMMITMENT

As at 30 September 2017, the Group had no significant capital commitment.

12. COMPARATIVE FIGURES

As a result of the discontinued operations as set out in note 8, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 30 September 2017 (the “**Period**”), the Group recorded a revenue from continuing operations of approximately HK\$77.53 million (2016: HK\$140.40 million), representing a decrease of 44.78% as compared with that of the corresponding period in 2016. The decrease in revenue was principally due to the temporary suspension of the operations in trading of mineral products which contributed approximately HK\$72.32 million revenue in the corresponding period in 2016. The Group’s gross profit from continuing operations for the Period increased by 8.88% to approximately HK\$15.75 million (2016: HK\$14.47 million) and the gross profit margin increased from 10.31% to 20.32% for the Period. The increase in gross profit and margin was mainly due to the trading business carried on in the corresponding period in 2016 with a relatively low gross profit ratio as compared to the other business segments.

Investment and other income decreased by 88.77% from approximately HK\$13.48 million for the correspondence period to approximately HK\$1.51 million for the Period. The decrease was primarily due to the loss on disposal for held-for-trading investment of approximately HK\$5.11 million (2016: gain of HK\$13.40 million), which is re-classified as other operating expenses, during the Period. On the other hand, the Group recorded a gain arising on change in fair value of the listed securities amounted to HK\$3.84 million (2016: loss of HK\$12.48 million) from the investment in held-for-trading securities.

The Group recorded administrative expenses, amortization of customer contracts and finance costs from continuing operations in the amount of HK\$7.93 million (2016: HK\$8.25 million), HK\$7.53 million (2016: HK\$5.62 million) and HK\$1.61 million (2016: HK\$1.85 million) respectively. These expenses did not significantly change as compared with the correspondence period in 2016.

In conclusion, loss attributable to owners of the Company from continuing operations for the Period amounted to approximately HK\$3.46 million (2016: HK\$2.49 million), representing an increase of 38.85%.

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 comprises of service incomes from coal production and excavation works. During the period ended 30 September 2017, approximately 3.49 million tonnes of coal had been produced and approximately 5.82 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\$74.21 million (2016: HK\$64.45 million) which accounted for 95.71% of the Group's total revenue from continuing operations.

Money lending business

The Group operates its money lending business through 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). The Group also made short term loans to third parties in the PRC through its subsidiaries in Mainland China. During the Period, the revenue from loan interest income was approximately HK\$3.32 million (2016: HK\$3.63 million) which accounted for 4.29% of the Group's total revenue from continuing operations. The interest rate charged by the Group ranged from 5% to 30% per annum. The loans were unsecured, with credit terms less than one year.

Provision for heating supply

The Group diversified into the business of provision of heating supply services in Tianjin City of the PRC since 2016. The Group provided the heat supply services in Tianjin City, the PRC. The services include transformation of coal-fired heating systems and provided heating to the customers. During the Period, no revenue was recorded as the heat supply season commences in November and ends in March every year. The group recorded a loss of approximately HK\$1.10 million in this segment for the Period. The Group is still in negotiation with the local government of Tianjin to claim subsidies in accordance with the government policy. The subsidies were in relation to the acquisition of machines and the extra days for providing heat during the last winter. The actual amount has not yet been determined but the Group aims to obtain subsidies of approximately RMB10 million subject to the negotiation with the local government.

On 8 September 2017, the Group has completed the disposal of its 100% equity interest in 北京達慧城 and its subsidiaries, which mainly operate heating supply services in the PRC (excluding Tianjin city) and a loss of disposal of approximately HK\$1.02 million was recorded during the Period.

Outlook

The provision of coal mining services remains the major source of revenue for the Group. In view of the effective policies implemented by the PRC Government is gradually balancing the supply and demand of the coal market, the directors take the view that the performance of this segment will be stable in the near future, even when the Group also faces the increase in production costs. In any event, the Group will implement cost control measures in order to improve its profitability.

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. The directors take a view that the Group's new heat supply operation provides a promising prospect. In line with the Group's strategy to develop its environmental friendly heating business, the Group concentrated the investments in Tianjin City and seek further expansion in Northern China. On 11 October 2017, the Company entered into a cooperation framework agreement with Xizang Beijing Enterprise Clean Heating Company Limited in respect of the possible cooperation ("**Possible Cooperation**") in natural gas heating projects and the reform of combined heat and power state-owned enterprises in Tianjin City. The negotiation for the Possible Cooperation was still in the progress but parties have not yet reached a further agreement as at the date of this report. The Group will cooperate with business partners in the relevant area, which will enable the Group to expand heat supply business by utilising the resources and strengths of each parties with an aim to expand the business scope and market share on heat supply business.

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.

As regards the money lending business of the Group, the Group will enhance the control over the making of loans as well as monitoring its outstanding loans receivable to minimise credit risk thereon.

Looking ahead, the Group will maintain healthy development of different business segments to consolidate its business portfolio and diversify its source of income. Subject to the availability of financial resources, and should suitable investment or business opportunities arise, the Company may consider acquiring assets and/or business in the heating supply industries in order to enhance its financial performance as well as value to the shareholders of the Company in the long run.

Share capital

As at 1 July 2017 and 30 September 2017, 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\$342,728,116 divided into 6,854,562,338 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 intended to use 80% (approximately HK\$160 million) of the proceeds for the development in the business of provision of services related to clean energy and the remaining 20% (approximately HK\$40 million) of the proceeds for working capital purpose. As at the date of this report, the Group had utilized approximately HK\$81 million for the business of provision of services related to clean energy including (i) investment in the joint ventures for the provision of heat supply services, (ii) capital expenditure such as purchasing heat supply equipment and carrying construction works and (iii) operation costs of the joint ventures, and approximately HK\$40 million for general working capital. The remaining balance was deposited into the banks.

OTHER INFORMATION

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

As at 30 September 2017, 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 ordinary shares of HK\$0.05 each of the Company

| Name of Shareholders | Nature of interests | Number of shares held | Approximate percentage of shareholding |
|--|---------------------------|-----------------------|--|
| Tai Pu Mining International Co., Ltd. (Note) | Beneficial owner | 783,600,000 | 11.43% |
| Mr. Hu Zhixiong (Note) | Held by controlled entity | 783,600,000 | 11.43% |
| | Beneficial owner | 38,400,000 | 0.56% |

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

Save as disclosed above, as at 30 September 2017, 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 2017, 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, were as follows:

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

| Name of Shareholders | Nature of interests | Number of shares held | Approximate percentage of shareholding |
|---|---------------------------|-----------------------|--|
| 陳朝暉 | Beneficial owner | 607,200,000 | 8.86% |
| 159 Anti-Aging Health Group Ltd. (Note) | Beneficial owner | 511,320,000 | 7.46% |
| Huang Xinsong (Note) | Held by controlled entity | 511,320,000 | 7.46% |
| | Beneficial owner | 63,160,000 | 0.92% |

Note: 159 Anti-Aging Health Group Ltd. is a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Huang Xinsong.

Save as disclosed above, as at 30 September 2017, 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 or any other members of the Group.

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 and risk management systems. 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.

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

Hong Kong, 13 November 2017

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.