



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
THIRD 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.*

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 2018, together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2018

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Continuing operations					
Revenue	3	65,355	99,534	218,503	353,007
Cost of sales and services provided		(53,147)	(81,505)	(171,798)	(300,573)
Gross profit		12,208	18,029	46,705	52,434
Other income		(211)	1,455	5,480	1,567
Other gains and losses, net	4	(619)	(32,930)	(6,042)	(61,227)
Selling and distribution expenses		-	-	-	(912)
Administrative expenses		(11,276)	(9,986)	(30,834)	(28,787)
Other operating expenses		(20)	(2,296)	(4,164)	(3,848)
Amortisation of intangible assets		(7,970)	(5,444)	(23,098)	(16,511)
Impairment loss recognised in respect of loan receivable		-	-	(1,088)	-
Share of results of associates		-	-	-	(415)
Loss from operating activities	5	(7,888)	(31,172)	(13,041)	(57,699)
Finance costs	6	(1,605)	(2,434)	(4,815)	(6,484)
Loss before tax		(9,493)	(33,606)	(17,856)	(64,183)
Income tax credit	7	945	150	364	261
Loss for the period from continuing operations		(8,548)	(33,456)	(17,492)	(63,922)
Discontinued operation					
Gain for the period from discontinued operation	8	-	1,314	-	12,942
Loss for the period		(8,548)	(32,142)	(17,492)	(50,980)

Notes	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
(Loss) profit for the period attributable to owners of the Company				
– from continuing operations	(8,425)	(33,364)	(17,535)	(63,579)
– from discontinued operation	–	1,231	–	10,542
Loss for the period attributable to owners of the Company	(8,425)	(32,133)	(17,535)	(53,037)
(Loss) profit for the period attributable to non-controlling interests				
– from continuing operations	(123)	(92)	43	(343)
– from discontinued operation	–	83	–	2,400
(Loss) profit for the period attributable to non-controlling interests	(123)	(9)	43	2,057
	(8,548)	(32,142)	(17,492)	(50,980)
Loss per share				
From continuing and discontinued operations				
– Basic and diluted (HK cents per share)	(0.12)	(0.47)	(0.26)	(0.77)
From continuing operations				
– Basic and diluted (HK cents per share)	(0.12)	(0.49)	(0.26)	(0.92)
From discontinuing operations				
– Basic and diluted (HK cents per share)	–	0.02	–	0.15

<i>Notes</i>	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Loss for the period	(8,548)	(32,142)	(17,492)	(50,980)
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	24,709	7,486	43,499	(16,588)
Total comprehensive income (expenses) for the period, net of income tax:	16,161	(24,656)	26,007	(67,568)
Total comprehensive income (expenses) for the period attributable to:				
Owners of the Company	16,284	(24,126)	25,822	(69,104)
Non-controlling interests	(123)	(530)	185	1,536
	16,161	(24,656)	26,007	(67,568)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2018

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2017 (Audited)	342,728	652,695	(29,998)	(401,444)	563,981	14,620	578,601
(Loss) profit for the period	-	-	-	(17,535)	(17,535)	43	(17,492)
Other comprehensive income for the period	-	-	43,357	-	43,357	142	43,499
Total comprehensive income (expense) for the period	-	-	43,357	(17,535)	25,822	185	26,007
Disposal of a subsidiary	-	-	30	-	30	(15,209)	(15,179)
Balance at 31 March 2018 (Unaudited)	342,728	652,695	13,389	(418,979)	589,833	(404)	589,429

For the nine months ended 31 March 2017

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity 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) profit for the period	-	-	-	-	(53,037)	(53,037)	2,057	(50,980)
Other comprehensive expense for the period	-	-	(16,067)	-	-	(16,067)	(521)	(16,588)
Total comprehensive (expense) income for the period	-	-	(16,067)	-	(53,037)	(69,104)	1,536	(67,568)
Additional non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	938	938
Decrease in non-controlling interests arising on disposal of subsidiaries	-	-	-	3,383	-	3,383	(13,226)	(9,843)
Balance at 31 March 2017 (Unaudited)	342,938	652,901	(43,882)	-	(310,870)	641,087	(231)	(640,856)

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 are 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 on (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 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Continuing operations				
Provision of coal mining services	57,458	89,338	200,686	237,756
Provision of heating supply services	4,200	5,430	6,247	6,279
Trading of mineral products	-	(512)	-	95,814
Provision of money lending services	3,697	5,278	11,570	13,158
	65,355	99,534	218,503	353,007

4. OTHER GAINS AND LOSSES, NET

Notes	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Continuing operations				
(Loss) gain on disposal of held-for-trading investments	-	-	(12,594)	13,396
(Loss) gain arising on change in fair value of held-for-trading investments	(619)	(4,718)	7,568	(32,121)
Impairment loss recognised in respect of available-for-sale investment	-	(28,212)	-	(42,502)
Net loss on disposal of subsidiaries	-	-	(1,016)	-
	(619)	(32,930)	(6,042)	(61,227)

5. LOSS FROM OPERATING ACTIVITIES

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

	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Continuing operations				
Depreciation of property, plant and equipment	2,363	1,831	6,753	5,901
Amortisation of intangible assets	7,970	5,444	23,098	16,511

6. FINANCE COSTS

	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations				
Interest expenses on discounted bills	–	21	–	433
Imputed interest on promissory notes	1,605	2,413	4,815	6,051
	1,605	2,434	4,815	6,484

7. INCOME TAX CREDIT

	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations				
Current profits tax:				
– Hong Kong	(449)	494	181	1,504
– People's Republic of China ("PRC")	1,371	815	5,702	2,662
Deferred tax credit	(1,867)	(1,459)	(6,247)	(4,427)
	(945)	(150)	(364)	(261)

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 OPERATION

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

	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Profit for the period from discontinued operation				
Revenue	-	(8)	-	19,908
Cost of sales and services provided	-	503	-	(8,866)
Investment and other income	-	-	-	540
Administrative expenses	-	676	-	(5,121)
Other operating expenses	-	143	-	(5,784)
Loss before tax	-	1,314	-	677
Income tax expense	-	-	-	(994)
Gain on disposal of discontinued operations	-	1,314	-	(317)
	-	-	-	13,259
Profit for the period from discontinued operations (attributable to owners of the Company)	-	1,314	-	12,942

	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Profit for the period from discontinued operation has been arrived at after charging:				
Depreciation of property, plant and equipment	-	100	-	358

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2018 (2017: 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 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (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)	(8,425)	(32,133)	(17,535)	(53,037)
	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 per share	6,854,562	6,858,722	6,854,562	6,858,716

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 and nine months ended 31 March 2017 and 31 March 2018.

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 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Loss				
Loss for the period attributable to owners of the Company	(8,425)	(32,133)	(17,535)	(53,037)
Less: profit for the period from discontinued operation	-	1,231	-	10,542
Loss for the purpose of basic and diluted loss per share from continuing operations	(8,425)	(33,364)	(17,535)	(63,579)

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 and nine months ended 31 March 2017 and 31 March 2018.

From discontinued operation

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

	Three months ended 31 March		Nine months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
Profit				
Profit for the purpose of basic and diluted loss per share from discontinued operation	-	1,231	-	10,542

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

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2017 and 31 March 2018.

11. CAPITAL COMMITMENTS

As at 31 March 2018, the Group was no significant capital commitment.

12. COMPARATIVE FIGURES

As a result of the discontinued operation 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 nine months ended 31 March 2018 (the “**Period**”), the Group recorded a revenue from continuing operations of approximately HK\$218.50 million (2017: HK\$353.01 million), representing a decrease of 38.10 % as compared with that of the corresponding period in 2017. The decrease in revenue was mainly due to (i) the temporary suspension of the operations in trading of mineral products which contributed approximately HK\$95.81 million revenue in the corresponding period in 2017 and (ii) the revenues generate from provision for mining services segment decreased from HK\$237.76 million to HK\$200.69 million. The Group’s gross profit from continuing operations for the Period decreased from HK\$52.43 million to approximately HK\$46.71 million but the gross profit margin increased from 14.9 % to 21.4 % for the Period. The decrease in gross profit was mainly due to the gross loss recognized in the provision of heat supply service and less interest incomes generated from the money lending business. The increase in profit margin was primarily due to the trading business carried on in the corresponding period in 2017 with a relatively low gross profit margin as compared to the money lending business and provision of mining services.

The Group recorded a loss on disposal for held-for-trading investment of approximately HK\$12.59 million, (2017: gain of HK\$13.40 million), a gain arising on change in fair value of the listed securities amounted to HK\$7.57 million (2017: loss of HK\$32.12 million) from the investment in held-for-trading securities and a loss on disposal of subsidiaries amounted to HK\$1.02 million.

The Group recorded administrative expenses and other operating expenses from continuing operations in the amount of HK\$30.84 million (2017: HK\$28.79 million) and HK\$4.17 million (2017: HK\$3.85 million) respectively. These expenses increased slightly as compared with the correspondence period in 2017 mainly due to the appreciation of Renminbi. The Group also recorded amortization of customer contracts and finance costs from continuing operations in the amount of HK\$23.10 million (2017: HK\$16.51 million) and HK\$4.82 million (2017: HK\$6.48 million) respectively.

In conclusion, loss attributable to owners of the Company from continuing operations for the Period amounted to approximately HK\$17.49 million (2017: HK\$63.92 million), representing a decrease of 72.64 %. The significant decrease in loss from continuing operations was mainly due to the absence of impairment loss recognized in respect of available-for sale investments, amounting to HK\$42.50 million in the corresponding period.

Provision of coal mining services

The Group provided coal mining services to coal mines 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 31 March 2018, approximately 10.35 million tonnes of coal had been produced and approximately 10.05 kilometres of tunnels had been excavated by the Group. The revenues generate from mining services decreased from HK\$237.76 million to HK\$200.69 million due to the decrease in output. The revenue of provision of coal mining services accounted for 91.84 % of the Group's total revenue from continuing operations.

Money lending business

The Group operates its money lending business through the Company's subsidiaries in Mainland China to grant short term loans to third parties in the PRC and its indirectly wholly-owned subsidiary, 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\$11.57 million (2017: HK\$13.16 million) which accounted for 5.30 % of the Group's total revenue from continuing operations. The decrease in revenue was due to the Group has been cautious to grant loans amid the credit risks. 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 Tinjian City of the PRC since 2016. The services include transformation of coal-fired heating systems and provided heating to the customers. During the Period, the Group's provision of heating supply services recorded a revenue of approximately HK\$6.25 million (2017: HK\$6.28 million) which accounted for 2.86 % of the Group's total revenue from continuing operations. Even the provision for heating supply service recorded a gross loss of approximately HK\$3.31 million due to the high price of gas, the Group obtained subsidies of approximately HK\$3.83 million in relation to convert the boilers from coal to natural gas and is still in negotiation with the local government of Tianjin to claim the remaining subsidies in accordance with the government policy. The total amounts of subsidies are subject to negotiations. The group recorded a gain of approximately HK\$0.43 million in this segment for the Period.

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.

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 in natural gas heating projects and the reform of combined heat and power state-owned enterprises in Tianjin City. Since then, there was no material development.

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

As at 31 March 2018, the Company had available-for-sale investment and held-for-trading investments in certain securities listed in Hong Kong, the fair value amounted to approximately HK\$7.35 million (30 June 2017: HK\$7.35 million) and HK\$21.10 million (30 June 2017: HK\$24.72 million) respectively. During the Period, the Group recorded a gain arising on change in fair value of held for trading investments of approximately HK\$7.57 million and a loss on disposal of held for trading investment of approximately HK\$12.59 million. During the period from 1 January 2018 to 31 March 2018, the Group subscribed 10,435,000 shares of China New Economy Fund Limited at costs of approximately HK\$1.30 million and purchased 5,810,000 shares of Best Food Holding Company Limited at costs of approximately HK\$6.72 million. Save as disclosed herein, the investment portfolio of the Group at 31 March 2018 did not material change since 31 December 2017.

The available-for-sale investment represented the investment in China Green (Holdings) Limited which is principal engaged in growing, processing and sales of agricultural products.

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. As the Group share of loss of an associate was limited to its net investment amount in the associate, the Group did not record any loss on share of results of associates during the reporting 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 in balancing the supply and demand of the coal market, the coal price increased substantially and the market was recovered. As the market improved, the financial positions of the mine owners have also improved but such improvement were not mirrored in the mining service sectors due to the strict costs control measures continued to be imposed by mine owners on mining service providers such as the Group. Accordingly, the Group has yet to enjoy the benefit from such improvement due to the intense market competition. Besides, the Group face the problem of increasing in production costs, particularly the labor costs.

There has been an increase in demand for heating system and such growing trend is expected to continue in coming years due to rapid urbanisation and the environmental regulations facilitate the process of boiler conversions from 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 in the more profitable areas such as Beijing City.

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, the Group has been considering venturing into new business areas, such as Chinese medicine and healthcare products market which the Directors sees great potential and opportunities, to broaden its source of revenue thereby creating greater value for its shareholders.

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 minimize currency risks.

Material acquisitions and disposals

The disposal of investments relating to the provision of heating supply has been disclosed in the above of this report.

Liquidity and financial resources

As at 31 March 2018, the Group held cash and cash equivalents of approximately HK\$116.53 million (30 June 2017: HK\$91.28 million). Net current assets amounted to approximately HK\$509.38 million (30 June 2017: HK\$498.22 million).

As at 31 March 2018, the current ratio (defined as total current assets divided by total current liabilities) was approximately 7.31 times (30 June 2017: 6.19 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.28 (30 June 2017: 0.30).

The Group had no any bank borrowing as at 31 March 2018 (30 June 2017: Nil).

Pledge of assets

As at 31 March 2018, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 March 2018, there were 1,395 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 2018, the Group had no significant contingent liabilities.

Litigations

Save as disclosed in the annual report, no progress during the reporting period.

Events after reporting period

On 24 April 2018, the Company entered into a cooperation agreement with Yue's Tongren Pharmaceutical Technology Group Company Limited regarding the parties' possible cooperation in business relating to Chinese medicine, healthcare products and other daily necessities. (Details of the cooperation are set out in the announcement of the Company dated 24 April 2018.)

On 30 April 2018, the Company entered into a placing agreement with Kingston Securities Limited (“**Placing Agent**”). Under the proposed placing, the Company would conditionally place, through the Placing Agent 1,370,000,000 new ordinary shares of the Company to independent investors at a price of HK\$0.05 per share on a best efforts basis. The net proceeds raised from the placing were approximately HK\$66.5 million. The Company intended to apply the net proceeds raised from the Placing as to approximately HK\$50 million for the cooperation in the business relating to Chinese medicine and daily necessities between the Company and Yue’s Tongren Pharmaceutical Technology Group Company Limited and the remaining balance to be used for the general working capital. (Details of the placing are set out in the announcement of the Company dated 30 April 2018.)

OTHER INFORMATION

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

As at 31 March 2018, 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 corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2018, 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 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%
Liao XiaoFang	Beneficial owner	541,860,000	7.91%
Huang Xinsong (<i>Note 1</i>)	Held by controlled entity	511,320,000	7.46%
159 Anti-Aging Health Group Ltd. (<i>Note 1</i>)	Beneficial owner	511,320,000	7.46%
許功名	Held by controlled entity (<i>Note 2</i>)	230,980,000	3.37%
	Beneficial owner	235,138,000	3.43%

Note 1: Mr. Huang Xinsong (“**Mr. Huang**”) is deemed to be interested in 511,320,000 shares held by 159 Anti-Aging Health Group Ltd, which is incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Huang.

Note 2: There shares are held by Hondex Investments Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by 許功名.

Save as disclosed above, as at 31 March 2018, 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 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 system. 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, 11 May 2018

As at the date of this report, the Board of the Company, comprises (i) five executive Directors namely, Mr. Cai Da, Mr. Li Xianghong, Mr. Chen Youhua, Mr. Li Wai Hung and Mr. Wang Tong Tong; (ii) an non-executive director namely, Mr. Zhang Liqing; and (iii) three independent non-executive Directors namely, Ms. Wong Na Na, Mr. Wang Zhixiang, and Ms. Feng Jibei.