Silk Road Energy Services Group Limited
絲路能源服務集團有限公司
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 8250)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate companies to which a higher 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.**



*This announcement, 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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least seven days from the date of its publication and is available for reference on the website of the Company at http://www.silkroadenergy.com.hk.*

## FINANCIAL RESULTS

The board of Directors (the "Board") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2017 (the "Year") together with the comparative figures for the year ended 30 June 2016 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 30 June 2017*

| | *NOTES* | **2017** *HK$'000* | 2016 *HK$'000* (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *3* | **379,293** | 324,100 |
| Cost of sales and services rendered | | **(311,255)** | (223,830) |
| Gross profit | | **68,038** | 100,270 |
| Investment and other income | *4* | **15,783** | 31,351 |
| Selling and distribution expenses | | **(913)** | (548) |
| Administrative expenses | | **(34,262)** | (40,242) |
| Other operating expenses | | **(5,788)** | (4,341) |
| Amortisation of customer contracts | | **(29,244)** | (28,202) |
| Loss arising on changes in fair value of held-for-trading investments | | **(48,958)** | (15,756) |
| Gain on early redemption of promissory notes | | **892** | – |
| Net gain on disposal of subsidiaries | | **–** | 43 |
| Write back of promissory notes issued | | **–** | 97,877 |
| Impairment loss recognised in respect of available-for-sale investments | | **(50,562)** | – |
| Impairment loss recognised in respect of amount due from an associate | | **(60,000)** | (60,000) |
| Impairment loss recognised in respect of loan receivables | | **(2,175)** | (1,986) |
| Impairment loss recognised in respect of customer contracts | | **–** | (95,368) |
| Impairment loss recognised in respect of goodwill | | **–** | (6,994) |
| Impairment loss recognised in respect of trade and other receivables | | **–** | (3,401) |
| Share of results of associates | | **(415)** | (82,018) |
| Gain on deemed dilution of investments in associates | | **–** | 15,330 |
| Finance costs | | **(8,131)** | (13,473) |
| Loss before taxation | | **(155,735)** | (107,458) |
| Income tax (expense) credit | *5* | **(3,855)** | 16,112 |
| Loss for the year from continuing operations | *6* | **(159,590)** | (91,346) |
| **Discontinued operation** | | | |
| Profit (loss) for the year from discontinued operation | | **19,767** | (36,959) |
| Loss for the year | | **(139,823)** | (128,305) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

*For the year ended 30 June 2017*

| | *NOTE* | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| Profit (loss) for the year attributable to owners of the Company | | | |
| – from continuing operations | | **(157,310)** | (93,084) |
| – from discontinued operation | | **17,082** | (36,959) |
| Loss for the year attributable to owners of the Company | | **(140,228)** | (130,043) |
| Profit (loss) for the year attributable to non-controlling interests | | | |
| – from continuing operations | | **(2,280)** | – |
| – from discontinued operation | | **2,685** | 1,738 |
| Profit for the year attributable to non-controlling interests | | **405** | 1,738 |
| | | **(139,823)** | (128,305) |
| **(LOSS) EARNINGS PER SHARE** | *7* | | |
| From continuing and discontinued operations | | | |
| Basic and diluted *(HK cents per share)* | | **(2.04)** | (2.16) |
| From continuing operations | | | |
| Basic and diluted *(HK cents per share)* | | **(2.29)** | (1.55) |
| From discontinued operations | | | |
| Basic and diluted *(HK cents per share)* | | **0.25** | (0.61) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2017*

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Loss for the year | **(139,823)** | (128,305) |
| **Other comprehensive expense for the year** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translating foreign operations | **(2,194)** | (26,354) |
| Other comprehensive expense for the year, net of income tax | **(2,194)** | (26,354) |
| Total comprehensive expense for the year | **(142,017)** | (154,659) |
| Total comprehensive (expense) income for the year attributable to: | | |
| – Owners of the Company | **(142,411)** | (156,397) |
| – Non-controlling interests | **394** | 1,738 |
| | **(142,017)** | (154,659) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **44,560** | 46,311 |
| Goodwill | | **1,655** | 18,776 |
| Customer contracts | | **164,851** | 197,221 |
| Exploration and evaluation assets | | **–** | – |
| Available-for-sale investments | | **7,349** | – |
| Deferred tax assets | | **11,129** | 11,293 |
| Investments in associates | | **–** | 415 |
| | | **229,544** | 274,016 |
| Current assets | | | |
| Inventories | | **–** | 4,242 |
| Trade, bills and other receivables | *8* | **186,951** | 215,725 |
| Loan receivables | *9* | **190,147** | 117,279 |
| Amounts due from associates | | **61,500** | 121,868 |
| Held-for-trading investments | | **24,715** | 69,621 |
| Cash and cash equivalents | | **91,279** | 216,093 |
| | | **554,592** | 744,828 |
| Assets of a disposal group classified as held for sale | | **39,611** | – |
| | | **594,203** | 744,828 |
| Current liabilities | | | |
| Trade and other payables | *10* | **78,307** | 90,882 |
| Amount due to a director | | **–** | 1,128 |
| Income tax payables | | **10,286** | 13,276 |
| | | **88,593** | 105,286 |
| Liabilities directly associated with assets classified as held for sale | | **7,388** | – |
| | | **95,981** | 105,286 |
| Net current assets | | **498,222** | 639,542 |
| Total assets less current liabilities | | **727,766** | 913,558 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

*As at 30 June 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Promissory notes | 11 | **106,587** | 145,278 |
| Deferred tax liabilities | | **42,578** | 50,951 |
| | | **149,165** | 196,229 |
| Net assets | | **578,601** | 717,329 |
| Capital and reserves | | | |
| Share capital | | **342,728** | 342,938 |
| Reserves | | **221,253** | 363,870 |
| Equity attributable to owners of the Company | | **563,981** | 706,808 |
| Non-controlling interests | | **14,620** | 10,521 |
| Total equity | | **578,601** | 717,329 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2017*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Foreign currency translation reserve *(note i)* | Unlisted warrants reserve *(note ii)* | Other reserve *(note iii)* | Accumulated losses | Total | Non-controlling interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2015 | 290,625 | 503,759 | (1,461) | 3,686 | – | (131,476) | 665,133 | – | 665,133 |
| Loss for the year | – | – | – | – | – | (130,043) | (130,043) | 1,738 | (128,305) |
| Other comprehensive expense for the year | – | – | (26,354) | – | – | – | (26,354) | – | (26,354) |
| Total comprehensive expense for the year | – | – | (26,354) | – | – | (130,043) | (156,397) | 1,738 | (154,659) |
| Lapse of unlisted warrants | – | – | – | (3,686) | – | 3,686 | – | – | – |
| Additional non-controlling interests arising on partial disposal of a subsidiary | – | – | – | – | (3,383) | – | (3,383) | 16,383 | 13,000 |
| Dividend paid to non-controlling interests *(note iv)* | – | – | – | – | – | – | – | (7,600) | (7,600) |
| Issue of new shares by way of placing | 52,313 | 151,708 | – | – | – | – | 204,021 | – | 204,021 |
| Share issue expenses | – | (2,566) | – | – | – | – | (2,566) | – | (2,566) |
| At 30 June 2016 | 342,938 | 652,901 | (27,815) | – | (3,383) | (257,833) | 706,808 | 10,521 | 717,329 |

| | **Attributable to owners of the Company** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Foreign currency translation reserve *(note i)*** | **Unlisted warrants reserve *(note ii)*** | **Other reserve *(note iii)*** | **Accumulated losses** | **Total** | **Non-controlling interests** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| At 1 July 2016 | **342,938** | **652,901** | **(27,815)** | **–** | **(3,383)** | **(257,833)** | **706,808** | **10,521** | **717,329** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **(140,228)** | **(140,228)** | **405** | **(139,823)** |
| Other comprehensive expense for the year | **–** | **–** | **(2,183)** | **–** | **–** | **–** | **(2,183)** | **(11)** | **(2,194)** |
| Total comprehensive expense for the year | **–** | **–** | **(2,183)** | **–** | **–** | **(140,228)** | **(142,411)** | **394** | **(142,017)** |
| Share repurchased *(note v)* | **(210)** | **(206)** | **–** | **–** | **–** | **–** | **(416)** | **–** | **(416)** |
| Acquisition of assets through acquisition of subsidiaries *(note 12)* | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **16,911** | **16,911** |
| Disposal of subsidiaries | **–** | **–** | **–** | **–** | **3,383** | **(3,383)** | **–** | **(13,206)** | **(13,206)** |
| At 30 June 2017 | **342,728** | **652,695** | **(29,998)** | **–** | **–** | **(401,444)** | **563,981** | **14,620** | **578,601** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

*For the year ended 30 June 2017*

*Notes:*

i) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange difference accumulated in the foreign currency translations reserve will be reclassified to profit or loss on the disposal of the foreign operations.

ii) The unlisted warrants reserve relates to unlisted warrants issued to independent third parties during 2015, representing the proceeds received from the issue less direct expenses. The remaining unlisted warrants were lapsed during the year ended 30 June 2016.

iii) Other reserve relates to the difference between the (i) fair value of consideration received by the Group and (ii) the aggregate of the increase in non-controlling interest upon the partial disposal of PR ASIA Investment Holdings Limited ("PR ASIA Investment"), a non-wholly owned subsidiary of the Group. During the year ended 30 June 2017, such reserve was transferred to accumulated losses upon disposal of PR ASIA Investment.

iv) On 16 March 2016 and 8 April 2016, interim dividends of HK$6,000,000 and HK$1,600,000 respectively were declared and paid by PR ASIA Investment to its non-controlling shareholder.

v) During the year ended 30 June 2017, the Company repurchased 4,200,000 of its shares on the Hong Kong Exchange and Clearing Limited for a total consideration of HK$416,000 which was paid wholly out of share premium in accordance with section 7 of the Company's memorandum and articles of association. The purchased shares were cancelled accordingly on 8 May 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2017*

## 1. GENERAL

Silk Road Energy Services Group Limited (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 the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are (1) provision of coal mining service; (2) trading of mineral products; (3) provision of heating supply services; (4) provision of money lending service and (5) investment holding.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Company and its subsidiaries (hereinafter collectively referred to as the "Group") determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

The Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 July 2016.

**New and revised HKFRSs issued but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 (2014) | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle[3] |
| Amendments to HKAS 7 | Disclosure Initiative[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| Amendments to HKAS 40 | Transfers of Investment Property[2] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[2] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[4] |

[1] *Effective for annual periods beginning on or after 1 January 2017.*

[2] *Effective for annual periods beginning on or after 1 January 2018.*

[3] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

[4] *Effective for annual periods beginning on or after 1 January 2019.*

[5] *Effective date not yet been determined.*

## 3. REVENUE

Revenue represents revenue arising on sale of goods and services rendered, net of sales related taxes, where applicable. An analysis of the Group's revenue from continuing operations is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Provision of coal mine construction engineering, mechanical equipment installation and coal production and technical services | **256,645** | 298,741 |
| Trading of other mineral products | **95,769** | 12,948 |
| Interest income from money lending business | **18,851** | 12,411 |
| Provision of heating supply services | **8,028** | – |
| | **379,293** | 324,100 |

## 4. INVESTMENT AND OTHER INCOME

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Continuing operations** | | |
| Interest income on bank deposits | **210** | 87 |
| Gain on disposal of held-for-trading investments | **13,396** | 13,694 |
| Script dividend income from held-for-trading investments | **–** | 16,409 |
| Government grants *(note a)* | **741** | – |
| Other interest income *(note b)* | **–** | 661 |
| Sundry income | **1,436** | 500 |
| | **15,783** | 31,351 |

*Notes:*

(a) Government grants in respect of encouragement of expansion of enterprise were recognised at the time the Group fulfilled the relevant granting criteria.

(b) Other interest income represented interest income received from an independent third party for a loan principal of Renminbi ("RMB") 15,000,000. The loan was unsecured, bore fixed interest of 5% per annum and settled in full during the year ended 30 June 2016.

## 5. INCOME TAX EXPENSE (CREDIT)

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| **Continuing operations** | | |
| Current tax: | | |
| Hong Kong Profits Tax | **504** | 2,122 |
| PRC Enterprise Income Tax | **10,917** | 17,111 |
| | **11,421** | 19,233 |
| Deferred tax: | | |
| Current year | **(7,566)** | (35,345) |
| | **3,855** | (16,112) |

## 6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Loss for the year from continuing operations has been arrived at after charging (crediting): | | |
| Employee benefit expense: | | |
| Directors' emoluments | **5,374** | 4,821 |
| Other staff's salaries and allowances | **108,109** | 115,430 |
| Other staff's retirement benefits scheme contributions | **6,329** | 7,075 |
| Other staff's welfare | **1,271** | 1,620 |
| Total employee benefits expense | **121,083** | 128,946 |

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Auditor's remuneration | **1,060** | 960 |
| Depreciation of property, plant and equipment | **7,325** | 6,844 |
| Loss on disposal of property, plant and equipment | **1,093** | 2,632 |
| Net foreign exchange (gain) loss | **(168)** | 1,677 |
| Share of tax of associates (included in share of results of associates) | **–** | (12,378) |
| Operating lease rentals in respect of rented premises | **6,728** | 6,809 |

## 7. (LOSS) EARNINGS 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:

| | 2017 | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purpose of basic and diluted loss per share (for the year attributable to owners of the Company) | **(140,228)** | (130,043) |

| | Number of shares | Number of shares |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **6,857,681** | 6,015,465 |

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the year ended 30 June 2016 and 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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Loss** | | |
| Loss for the year attributable to owners of the Company | **(140,228)** | (130,043) |
| *Less:* profit for the year from discontinued operation | **(17,082)** | 36,959 |
| Loss for the purpose of basic and diluted loss per share from continuing operations | **(157,310)** | (93,084) |

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 during the year ended 30 June 2016 and 2017.

**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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Earnings (loss)** | | |
| Profit (loss) for the purpose of basic and diluted earnings per share from discontinued operation | **17,082** | (36,959) |

| | **Number of shares** | Number of shares |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of basic and of diluted earnings per share | **6,857,681** | 6,015,465 |

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 30 June 2016 and 2017.

## 8. TRADE, BILLS AND OTHER RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **124,244** | 149,131 |
| *Less:* Impairment | **–** | (8,079) |
| | **124,244** | 141,052 |
| Bills receivables | **26,816** | 31,167 |
| Receivables arising from dealing in listed securities | **116** | 11,122 |
| Other deposits paid | **28,020** | 28,214 |
| *Less:* Impairment | **(2,335)** | (2,335) |
| | **25,685** | 25,879 |
| Prepayments | **375** | 2,415 |
| Other receivables | **9,715** | 4,090 |
| | **186,951** | 215,725 |

All the bills receivables are aged within 185 days.

The following is an aged analysis of trade receivables, presented based in the invoice date which approximated the date of revenue recognition:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **39,104** | 42,627 |
| 31-60 days | **28,229** | 21,848 |
| 61-90 days | **27,925** | 37,443 |
| Over 90 days | **28,986** | 39,134 |
| | **124,244** | 141,052 |

The Group grants a credit period ranging from 30 to 60 days to its customers. No interest is charged on overdue trade receivables. The management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality as they relate to a wide range of customers for whom there was no recent history of default.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

**Age of receivables that are past due but not impaired**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **77,457** | 93,636 |
| 91-180 days | **7,048** | 4,789 |
| Over 180 days | **635** | – |
| | **85,140** | 98,425 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Movements in the impairment loss of trade receivables are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at the beginning of the year | **8,079** | 9,119 |
| Disposal of subsidiaries | **(8,079)** | – |
| Impairment loss recognised during the year | **–** | 2,030 |
| Exchange realignment | **–** | (3,070) |
| Balance at the end of the year | **–** | 8,079 |

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balance of nil (2016: HK$8,079,000) which are long outstanding with no subsequent settlement.

Movements in the impairment loss of other deposits paid are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at the beginning of the year | **2,335** | – |
| Impairment loss recognised during the year | **–** | 2,407 |
| Exchange realignment | **–** | (72) |
| Balance at the end of the year | **2,335** | 2,335 |

The Group individually assessed all other receivables and provided in full for those receivables that are considered not recoverable. The Group does not hold any collateral over these balances.

Include in trade, bills and other receivables are the following amounts denominated in currencies other than the functional currencies of the relevant group entities to which they relate:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| United States Dollars ("USD") | **–** | 494 |
| RMB | **–** | 188 |

## 9. LOAN RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unsecured loan receivables | **201,956** | 126,913 |
| *Less:* impairment losses recognised | **(11,809)** | (9,634) |
| | **190,147** | 117,279 |

At 30 June 2017, loans to third parties with an aggregate principal and accrued interest amounting to approximately HK$190,147,000 (2016: HK$117,279,000) are unsecured, bear fixed interest ranging from 5% to 30% (2016: 5% to 24%) per annum and are repayable within one year and thus classified as current assets.

The loan receivables are due for settlement at the date specified in the respect loan agreements.

Movements in the impairment loss of loan receivables are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at the beginning of the year | **9,634** | 7,648 |
| Impairment loss recognised during the year | **2,175** | 1,986 |
| Balance at the end of the year | **11,809** | 9,634 |

Impairment loss of approximately HK$11,809,000 (2016: HK$9,634,000) recognised as at 30 June 2017 is based on estimated irrecoverable amount by reference to the creditability of the customer, past default experience and subsequent settlement.

## 10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on the invoice date:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **2,126** | 2,809 |
| 31-60 days | **5,925** | 1,673 |
| 61-90 days | **2,611** | 1,845 |
| Over 90 days | **8,996** | 3,919 |
| | **19,658** | 10,246 |

The average credit period on purchases of certain goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 11. PROMISSORY NOTES

On 31 July 2015, the Company issued unsecured promissory notes with principal value of HK$304,000,000 in respect of the acquisition of Everbest Return Group. The promissory notes will mature on 30 July 2020 and bear interest at 1% per annum. Interests are accrued and paid annually. The Company may redeem whole or part of the promissory notes at any time from 1 October 2016 up to the date immediately prior to the maturity date. The promissory notes are measured at amortised costs using effective interest at 6%.

As a result of the contingent consideration arrangement in respect of the acquisition of the Everbest Return Group, part of the promissory notes issued is written back for the year ended 30 June 2016. No interest shall be accrued and payable in respect of the promissory notes that are cancelled. Movement of promissory notes issued is as follows:

During the year ended 30 June 2017, there was early redemption of promissory note with carrying amount of principal and accrued interest of HK$44,892,000 by cash of HK$44,000,000, resulting in gain on early redemption of HK$892,000 which was recognised in profit or loss accordingly.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 July | **145,278** | – |
| Issued upon acquisition date | **–** | 304,000 |
| Fair value adjustments on date of acquisition (included as part of the consideration transferred) | **–** | (64,000) |
| Fair value of consideration transferred *(note 12)* | **145,278** | 240,000 |
| Contingent consideration receivable *(note 12)* | **–** | (8,426) |
| Imputed interest recognised | **7,582** | 13,198 |
| Coupon interest reclassified as other payables and accruals | **(1,381)** | (1,617) |
| Written back during the year | **–** | (97,877) |
| Repayments of promissory notes and interests thereof | **(44,000)** | – |
| Gain on early redemption of promissory notes | **(892)** | – |
| At 30 June | **106,587** | 145,278 |

## 12. ACQUISITION OF SUBSIDIARIES/ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

**Year ended 30 June 2017 – Acquisition of assets through acquisition of subsidiaries**

In August 2016, 北京達慧城新能源技術服務有限公司 ("北京達慧城"), an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with several independent third parties for the acquisition of 51% equity interest in 菏澤達慧城新能源熱力有限公司 (formerly known as "菏澤炬旺新能源熱力有限公司) and its subsidiaries ("新能源熱力"), which principally engaged in the provision of heating service and planned to obtain the agreement for provision heating service to Heze City of Shandong Province of the PRC from the local Government (the "Project") until the end of 2045. The transaction was completed in August 2016 by cash consideration of RMB15,300,000 (equivalent to HK$17,601,000), representing the Group's portion of registered capital in 菏澤達慧城新能源熱力有限公司. In the opinion of directors, at the acquisition date, no business has been conducted by 新能源熱力since its establishment but mainly held certain property, plant and equipments with the carrying amount of HK$20,965,000. Thus, the transaction was accounted for acquisition of assets rather than business combination.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 20,965 |
| Other receivables | 2,233 |
| Cash and cash equivalents | 26,479 |
| Other payables | (15,165) |
| Net identifiable assets acquired | 34,512 |
| *Less:* 49% non-controlling interests | (16,911) |
| Net identifiable assets acquired attributable to owners of the Company | 17,601 |

Analysis of net cash flow of cash and cash equivalents arising on acquisition:

| | |
|---|---|
| Cash consideration paid | (17,601) |
| *Less:* cash and cash equivalents acquired | 26,479 |
| Net cash inflow arising on acquisition | 8,878 |

**Year ended 30 June 2016 – Acquisition of subsidiaries**

On 2 April 2015, Million Nature Holdings Limited ("Million Nature"), an indirectly wholly-owned subsidiary of the Company, as purchaser, entered into a sales and purchase agreement (as amended by supplemental agreements dated 22 April 2015, 5 June 2015 and 24 June 2015, respectively) (the "SPA") with Mr. Hu Zhixiong (a connected person of the Company and was subsequently appointed as an executive director of the Company on 28 August 2015) and Ms. Fan Aixian, as vendors (the "Vendors"). Pursuant to the SPA, the Vendors have conditionally agreed to sell and Million Nature has conditionally agreed to acquire the entire issued share capital of Everbest Return Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, at a total consideration of HK$760,000,000 (to be adjusted based on the after-tax profits of Everbest Return Group for the year ended 30 June 2016). The acquisition was completed on 31 July 2015.

***Fair value of consideration transferred***

| | *HK$'000* |
|---|---|
| Cash | 76,000 |
| Promissory notes issued *(note 11)* | 240,000 |
| Contingent consideration receivable *(note 11)* | (8,426) |
| Total | 307,574 |

As part of the consideration for the acquisition of Everbest Return Group, promissory notes with nominal value of HK$304,000,000 were issued. The promissory notes have been measured at fair value as at completion date, i.e.: 31 July 2015. The fair value of the liability component is determined by discounting the nominal amount and the accrued interest at the discount rate of 6% as determined by the Directors with reference to valuation carried out by LCH (Asia-Pacific) Surveyors Limited ("Valuer"), an independent professional valuer. The discount rate is based on the credit rating of the Company and bond yield of comparable companies with similar credit rating. The fair value of the promissory notes on date of acquisition amounted to approximately HK$240,000,000.

The fair value of the contingent consideration receivable of approximately HK$8,426,000 was estimated by the directors of the Company with reference to a valuation and relevant sensitivity analysis performed by an independent valuer. The estimation takes into account the expected shortfall of profits from the guaranteed profit arrangement as stated in the SPA.

For the contingent consideration arrangement, if the net profits after tax of Everbest Return Group for the year commencing from 1 July 2015 to 30 June 2016 based on the 2016 audited accounts (the "2016 After-Tax Profits") is less than the guaranteed profits amount of RMB150,000,000 (the "Guaranteed Profits Amounts") (equivalent to HK$187,500,000 based on the pre-agreed exchange rate of RMB1=HK$1.25), the retained completion sum (the "Retained Completion Sum") payable by the Company will be reduced by an adjustment amount (the "Adjustment Amount") which is calculated as below:

Retained Completion Sum = HK$380,000,000 – Adjustment Amount

where the Adjustment Amount = (RMB150,000,000 (Guaranteed Profits Amount) – 2016 After-Tax Profits) x 4.053

If the Adjustment Amount equals to or exceeds HK$380,000,000 (being the initial completion sum) (the "Initial Completion Sum"), then: (i) no Retained Completion Sum shall be payable by Million Nature to the Vendors; and (ii) the Vendors shall jointly and severally pay to Million Nature the paid consideration refund amount (the "Paid Consideration Refund Amount").

The calculation for the Paid Consideration Refund Amount is as follows:

Paid Consideration Refund Amount = Adjustment Amount – HK$380,000,000 (Initial Completion Sum)

where the Paid Consideration Refund Amount shall be capped at HK$379,999,999.

The potential undiscounted amount of the adjustment on the consideration under this arrangement is between nil and HK$759,999,999.

The directors of the Company consider that the acquisition of Everbest Return Group will benefit the Group through synergies and economies of scale. The acquisition of Everbest Return Group had been accounted for using the acquisition method.

**Consideration adjustment**

Everbest Return Group achieved a profit of approximately RMB49,805,000 for the year ended 30 June 2016. Accordingly, an adjustment to the consideration is required based on the above formula. The calculated Adjustment Amount is approximately HK$507,611,000 and the Paid Consideration Refund Amount is approximately HK$127,611,000. As a result of the adjustment, part of the promissory notes issued will be cancelled. A gain on write back of promissory notes issued of approximately HK$97,877,000 was recognised during the year ended 30 June 2016.

The fair value identified assets and liabilities of Everbest Return Group as at the date of acquisition were as follows:

| | **Fair values** |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 26,880 |
| Customer contracts | 339,592 |
| Deferred tax assets | 11,193 |
| Trade, bills and other receivables | 115,916 |
| Cash and cash equivalents | 1,232 |
| Trade and other payables | (71,082) |
| Bank borrowing | (694) |
| Amounts due to former shareholders | (21,755) |
| Income tax payables | (8,533) |
| Deferred tax liabilities | (87,008) |
| Net identifiable assets acquired | 305,741 |
| Goodwill arising on acquisition | 1,833 |
| Fair value of consideration | 307,574 |

Analysis of net cash flow of cash and cash equivalents arising on acquisition:

| | |
|---|---|
| Cash consideration | 76,000 |
| *Less:* deposit and earnest money paid in prior years | (76,000) |
| *Add:* cash and cash equivalents acquired | 1,232 |
| Net cash inflow arising on acquisition | 1,232 |

The goodwill arising on the acquisition is not deductible for tax purposes.

The fair value of trade, bills and other receivables at the date of acquisition amounted to approximately HK$115,916,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$160,690,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK$44,774,000.

Goodwill arose in the acquisition of Everbest Return Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Everbest Return Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Acquisition-related costs amounting to approximately HK$1,982,000 (2015: approximately HK$6,902,000) have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expense in the consolidated statement of profit or loss.

Included in the loss for the year is profit of approximately HK$59,680,000 attributable to the additional business generated by the Everbest Return Group. Revenue for the year includes approximately HK$298,741,000 generated from the Everbest Return Group.

Had the acquisition been completed on 1 July 2015, total revenue of the Group for the year would have been approximately HK$386,411,000 and loss for the year would have been approximately HK$124,884,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Everbest Return Group been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

## 13. EVENTS AFTER THE REPORTING PERIOD

On 8 September 2017, the Group completed the sale of the 100% equity interest in 北京達慧城, which was classified as a disposal group held for sale to the Company as at 30 June 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

For the year ended 30 June 2017, the Group recorded a revenue from continuing operations of approximately HK$379.29 million (2016: HK$324.10 million), representing an increase of 17.02% as compared with that of the corresponding year. The increase in revenue was mainly due to the trading of other mineral products business which contributed approximately HK$95.77 million (2016: HK$12.95 million). The Group's gross profit from continuing operations decreased by approximately 32.14% to HK$68.04 million (2016: HK$100.27million) and the gross profit margin decreased from 30.94% to 17.94% for the year ended 30 June 2017. The decrease in gross profit and margin was mainly due to the trading of other mineral products business with a relatively low gross profit ratio as compared to the other business segment of the Group and the labor costs of the provision of mining services had increased.

Investment and other income from continuing operations mainly consist of gain on disposal of held-for-trading investments, other interest income, bank interest income and sundry income. Investment and other income decreased by 49.66% from approximately HK$31.35 million for the year ended 30 June 2016 to approximately HK$15.78 million for the year ended 30 June 2017. The decrease was primarily due to the absence of script dividend income from held-for-trading investment.

The Group recorded a loss arising on change in fair value of the listed securities amounted to HK$48.96 million (2016: HK$15.76 million) from the investment in held-for-trading securities was mainly as a result of the volatility of the securities market.

During the reporting year, the Group recognised an impairment loss in respect of available-for-sale investments amounted to HK$50.56 million, which represented its investment in China Green (Holdings) Limited whose shares are listed on the Hong Kong Stock Exchange and principal engaged in growing, processing and sales of agricultural products. The impairment loss represented the difference between the costs and the fair value of the investment. The assessment of the fair value of the investment was carried out by reference to its latest market price.

The impairment loss of HK$60 million was recognised in respect of the amount from the associated companies principally engaged in the securities trading business. In determining the recoverability of the associated companies, the Group considered its latest investment portfolio and the fair market value of the securities held by it. Since the fair value of assets held by the associated companies are insufficient to cover the outstanding balance, the impairment loss was recognised.

The Group recorded selling and distribution expenses, administrative expenses and other operating expenses, amortisation of customer contracts and impairment loss recognized in respect of loan receivable from continuing operations were HK$0.91 million (2016: HK$0.55 million), HK$34.26 million (2016: HK$40.24 million), HK$5.78 million (2016: HK$4.34 million), HK$29.24 million (2016: HK$28.20 million) and HK$2.18 million (2016: HK$1.99 million) respectively. These expenses did not significantly change as compared with the correspondence year.

The finance costs were decreased from HK$13.47 million to HK$8.13 million mainly due to the decrease of imputed interests on promissory notes as a result of early settlement of 30% outstanding promissory notes during the reporting year. The income tax was change from tax credit of HK$16.11 million for the year ended 30 June 2016 to tax expenses of HK$3.86 million for the year ended 30 June 2017 due to the increase in deferred taxation.

During the reporting year, the Group disposed of subsidiaries carrying on advertising and public relations services and Fluorite processing and trading business. The directors considered that the disposals represented a good opportunity for the Group to realize its investments in the non-core business in order to focus more resources for the development of its other principal business segments and to strengthen the capital base of the Group. The Group recorded a profit from discontinued operation amounted to HK$19.77 million (2016: loss of HK$36.96 million), mainly represented the gains on disposal of the subsidiaries during the reporting year.

In conclusion, loss attributable to owners of the Company for the year amounted to approximately HK$140.23 million (2016: HK$130.04 million), representing an increase of 7.84%.

## PROVISION OF COAL MINING SERVICES

The Group provided coal mining services to six coal mines during the year 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 year ended 30 June 2017, approximately 14.31 million tonnes of coal had been produced and approximately 27.60 kilometres of tunnels had been excavated by the Group.

During the reporting year, the Group's provision of coal mining services recorded a revenue of approximately HK$256.65 million (2016: HK$298.74 million) which accounted for 67.66% of the Group's total revenue from continuing operations. This segment contributed a gain of HK$11.32 million (2016: a loss of HK$50.71million) after deducting amortisation of customer contracts. The positive turnaround was primarily due to the absence of impairment loss in respect of customer contracts.

In 2016, the Chinese government implemented policy to limit coal production to curb overcapacity in the coal market. The reduction in overcapacity has resulted in the coal price recovering from rock-bottom but it was still fluctuating during the reporting year. The coal miners continued to pose strict costs control measures but on the other hand the costs of the production has increased mainly due to the increase in labour costs.

## TRADING OF MINERAL PRODUCTS

The Group resumed the operation of its trading of mineral products (other than fluorites products) in the PRC. This segment recorded a revenue of approximately HK$95.77 million (2016: HK$12.95 million) which accounted for 25.25% of the Group's total revenue. Even though the gross profit margin is low because the market conditions for mineral products have not recovered significantly, the Group resumed this segment for maintaining its business networks.

## MONEY LENDING BUSINESS

The Group operates its money lending business mainly 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 the third parties in the PRC through its subsidiaries in Mainland China. During the reporting year, the revenue from loan interest income was approximately HK$18.85 million (2016: HK$12.42 million) which accounted for 4.97% of the Group's total revenue. 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

During the reporting year, the Group has diversified into the business of provision of heating supply services in Shandong Province and Tinjian City of the PRC. During the trial operation in Shandong Province, it was discovered that cost of supplying heat was substantially greater than the expected production cost. In view of the greater-than-expected production cost which adversely affects the expected profitability, the Group opted out of operations from Shandong in order to better utilise and divert the Group's resources to more profitable business thereby creating greater value for the shareholders of the Company. Accordingly, on 18 January 2017 and 26 June 2017, the Group entered into contracts with the independent third parties to dispose its equity interests in the companies which carried out projects in Shandong Province at a consideration of RMB19.46 million and RMB14.06 million respectively, please refer to the paragraph headed "Material Acquisition and disposals" below for further details. The directors considered that opting out of investments in Shandong Province did not have material financial adverse effect to the Group. On the other hand, on 11 August 2016, the Group 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 square meter. Furthermore, the Group shall be given priority to operate the heating project with a preliminary estimated heat supply area of four million square meter 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, the Group and Wang Wen Zhuang Government. The Group has started to provide the heat supply service in Tianjin City since November 2016.

During the reporting year, the provision of heating segment recorded a revenue of approximately HK$8.03 million (2016: Nil), which accounted for 2.12% of the Group's total revenue, and a loss of approximately HK$11.75 million. Excluding the loss arising from Shandong project, operations in Tianjin recorded a loss of approximately HK$4.60 million.

However, the Group is still in negotiation with the local government of Tianjin to claim subsidies in accordance with the government policy. The subsidies was 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. Accordingly, the Group has not yet recognised the subsidy as income.

## INVESTMENT IN AVAILABLE-FOR-SALE INVESTMENT AND HELD-FOR-TRADING SECURITIES

As at 30 June 2017, the Company had available-for-sale investment and held-for-trading investment in certain securities listed in Hong Kong, the fair value of which amounted to approximately HK$7.35 million (30 June 2016: Nil) and HK$24.72 million (30 June 2016: HK$69.62 million) respectively. During the Year, a loss arising on change in fair value of the listed securities of approximately HK$48.96 million was recorded and the impairment loss of HK$50.56 million was recognised in respect of available-for-sale of investment.

## 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 recorded an insignificant loss on share of results of associates.

## OUTLOOK

The problem of overcapacity in coal market has been relieved and the coal price has gradually recovered from its rock-bottom. In the long run, the fundamental problem of oversupply in Chinese coal market has not changed, and the aggregate supply of coal tends to increase. The directors take the view that the recovery of the coal industries market was cautiously optimistic. As the market improved, the financial positions of the mine owners has also improved but such improvements 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 also face the increase in production costs. The Group will implement cost control measures in order to improve its profitability in view of the challenging operating environment.

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 environmental 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. 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. 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.

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.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group held cash and cash equivalents of approximately HK$91.28 million (2016: HK$216.09 million). Net current assets amounted to approximately HK$498.22 million (2016: HK$639.54 million).

As at 30 June 2017, the current ratio (defined as total current assets divided by total current liabilities) was approximately 6.19 times (2016: 7.07 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.30 (2016: 0.30).

The Group had no any bank borrowing as at 30 June 2017 (2016: Nil).

# 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 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 announcement, the Group had utilised 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.

During the reporting year, the Group had advanced the idle cash to independent third parties as loans for earning interests. The provision of short term loans to third parties would enable the Group to invest its cash resources and generate a better return before the proceeds are applied for the intended purposes.

# SHARE CAPITAL

As at 1 July 2016 and 30 June 2017, the authorised 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)"). As at 1 July 2016, the issued share capital of the Company was approximately HK$342,938,116 divided into 6,858,762,338 shares. During the year ended 30 June 2017, the Company has repurchased 4,200,000 shares and cancelled on 8 May 2017. Accordingly, as at 30 June 2017, the issued share capital of the Company was approximately HK$342,728,117 divided into 6,854,562,338 Shares.

# EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated either in Hong Kong dollars, Renminbi or U.S. dollars. It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimise currency risks.

## MATERIAL ACQUISITION AND DISPOSALS

In August 2016, 北京達慧城新能源技術服務有限公司 ("北京達慧城"), an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with several independent third parties for the acquisition of 51% equity interest in 菏澤達慧城新能源熱力有限公司 (Formerly known as 菏澤炬旺新能源熱力有限公司) and its subsidiaries ("新能源熱力"), which principally engaged in the provision of heating service and planned to obtain the agreement for provision heating service to Heze City of Shandong Province of the PRC from the local Government (the "Project") until the end of 2045. The transaction was completed in August 2016 by cash consideration of approximately HK$17,601,000 representing the Group's portion of register capital in 菏澤達慧城新能源熱力有限公司. In the opinion of directors, at the acquisition date, no business has been conducted by 新能源熱力 since its establishment but mainly held certain property, plant and equipment. Thus, the transaction was accounted for acquisition of assets rather than business combination.

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, an indirectly wholly-owned subsidiary of the Company, and which directly holds 100% equity interest of PR ASIA Consultants Limited ("PR ASIA Consultants"), at a total consideration of HK$36.3 million with a gain of approximately HK$16.61 million. During the reporting year, PR ASIA Consultants 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 year, the advertising and public relations segment recorded a revenue of approximately HK$19.93 million up to the date of the completion of disposal (2016: HK$41.22 million). Upon the completion of the disposal on 2 November 2016, PR ASIA Consultants ceased to be a subsidiary of the Company and the Group ceased to hold any equity interest in each member of the PR ASIA Group.

On 18 January 2017, the Group entered into an equity transfer agreement as vendor with an independent third party as purchaser to dispose of 100% equity interest in 菏澤炬能熱力有限公司, which owned a heating project in Heze City of Shandong Province of the PRC, at a consideration of RMB19.46 million. Completion of the disposal took place on 22 January 2017. The disposal did not have material financial effect to the Group.

On 21 April 2017, 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, 100% of the issued share capital of the Sino Mongolia, an indirectly wholly-owned subsidiary of the Company, and which directly holds 100% equity interest of MCTT Limited ("MCTT"), at a total consideration of RMB9.5 million (approximately HK$11.00 million) with a gain of approximately HK$3.46 million. Upon the completion of the disposal in May 2017, Sino Mongolia ceased to be a subsidiary of the Company and the Group ceased to hold any equity interest in each member of the Sino Mongolia Group.

On 26 June 2017, the Group entered into an equity transfer agreement as vendor with an independent third party as purchaser to dispose of 100% equity interest in 北京達慧城which through its subsidiaries engaged in the operation of energy saving and environmentally friendly heating system and provision of related services in Shandong Province of the PRC, at a consideration of RMB14.06 million. Completion of the disposal took place on 8 September 2017. The disposal did not have material financial effect to the Group.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associates of the Group in the period under review.

## LITIGATIONS

(1) On 23 September 2014, an indirectly wholly owned of the Company, Tai Pu, has filed a claim against a customer in 內蒙古自治區鄂爾多斯市中級人民法院 (Inner Mongolia Ordos City Intermediate People's Court) (the "Ordos City Intermediate People's Court") for its failure to pay service fees of approximately RMB35.9 million during the year ended 31 December 2014. The Ordos City Intermediate People's Court has rendered its decision pursuant to which, inter alia, the customer shall pay Tai Pu (i) approximately RMB41.6 million as damages for the failure to pay the service contracts service fees; and (ii) RMB1 million as damages for breach of the service contracts. As at the date of reporting, Tai Pu has not received the said judgement sum. In view of the financial situation of the customer, the Group considered that it is unlikely to recover the judgement sum. As the financial impacts had been fully reflected in previous year's accounts of Tai Pu, no material financial impacts were expected.

(2) Since 9 August 2013, the Group, as the lender, entered into a loan agreement and certain supplemental agreements with an individual (the "Defendant"), as the borrower, for the loan arrangement with the amount of HK$7.5 million. The loan was guaranteed by the Defendant and another individual (the "Guarantor"). On 8 August 2015, the Defendant failed to repay the principal of HK$7.5 million and outstanding interest of HK$187,500. Therefore, the Group has filed the writ of summons to the High Court on 13 January 2016. On 22 August 2016, the Group received the judgement pursuant to which the Defendant and the Guarantor were ordered to pay the Group:

a) The sum of HK$7,500,000 together with interest thereon at the rate of 2% per calendar month from 9 August 2015 to the date hereof and thereafter at judgment rate until payment;

b) Interest of HK$187,500 from 9 February 2015 to 8 August 2015; and

c) HK$11,045 fixed cost.

In view of the financial situation of the Defendant and the Guarantor, the Group considered that the chances of enforcement and recovery of the judgement sum is remote. Accordingly, the Group has recorded HK$2.1 million interest income during the reporting year but made a fully provision for impairment on it. No significant adverse financial impact to the Group is expected.

## CAPITAL COMMITMENT

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

## PLEDGE OF ASSETS

As at 30 June 2017, none of the assets of the Group were pledged as security for any banking facilities.

## EMPLOYEE INFORMATION

As at 30 June 2017, there were approximately 1,460 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 30 June 2017, the Group had no significant contingent liabilities.

## DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2016: Nil).

## OTHER INFORMATION

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

As at 30 June 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 below) 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.

**Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 30 June 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 June 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.

**Share Options Scheme**

Pursuant to an ordinary resolution passed by the then sole shareholder of the Company on 20 April 2004, the Company had adopted a share options scheme (the "2004 Share Options Scheme"), pursuant to which the Board was authorised to grant options to the eligible participants for the period of 10 years from 20 April 2004. The 2004 Share Options Scheme expired on 19 April 2014 and no further options can be granted pursuant to the 2004 Share Options Scheme. No options under the 2004 Share Options Scheme are currently outstanding.

As the 2004 Share Options Scheme expired on 19 April 2014, an ordinary resolution for the adoption of a new 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 announcement.

**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" and "Share Option Scheme" in this announcement, 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.

## Competing Interests

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

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

During the year ended 30 June 2017, the Company repurchased 4,200,000 ordinary shares of the Company on the Stock Exchange of Hong Kong at the consideration of HK$0.42 million. The repurchased shares were cancelled on 8 May 2017. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 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 the 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 Year.

## Code on Corporate Governance Practices

The Company endeavors in maintaining high standards 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 throughout the Year.

## Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang and Ms. Feng Jibei.

**Review of the Results Announcement**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

Hong Kong, 26 September 2017

*As at the date of this announcement, 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.*