



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 2018

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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.

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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>.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

		2018	2017
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	3	298,164	379,293
Cost of sales and services rendered		(238,142)	(311,255)
Gross profit		60,022	68,038
Other income	5	14,036	2,387
Other losses	6	(5,346)	(35,562)
Selling and distribution expenses		—	(456)
Administrative and other operating expenses		(64,711)	(69,751)
Loss on disposal of subsidiaries		(1,016)	—
Gain on early redemption of promissory notes		—	892
Impairment loss recognised in respect of available-for-sale investments		(1,897)	(50,562)
Impairment loss recognised in respect of amounts due from associates		(6,000)	(60,000)
Impairment loss recognised in respect of loan receivables		(4,109)	(2,175)
Impairment loss recognised in respect of property, plant and equipment		(12,900)	—
Impairment loss recognised in respect of customer contracts		(61,660)	—
Impairment loss recognised in respect of goodwill		(1,739)	—
Share of results of associates		—	(415)
Finance costs		(6,854)	(8,131)
Loss before taxation		(92,174)	(155,735)
Income tax credit (expense)	7	16,841	(3,855)
Loss for the year from continuing operations	8	(75,333)	(159,590)
Discontinued operations			
Profit for the year from discontinued operations		—	19,767
Loss for the year		(75,333)	(139,823)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)*For the year ended 30 June 2018*

	<i>NOTE</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company			
— from continuing operations		(75,721)	(157,310)
— from discontinued operations		<u>—</u>	<u>17,082</u>
Loss for the year attributable to owners of the Company		<u>(75,721)</u>	<u>(140,228)</u>
Profit (loss) for the year attributable to non-controlling interests			
— from continuing operations		388	(2,280)
— from discontinued operations		<u>—</u>	<u>2,685</u>
Profit for the year attributable to non-controlling interests		<u>388</u>	<u>405</u>
		<u>(75,333)</u>	<u>(139,823)</u>
LOSS PER SHARE	<i>9</i>		
From continuing and discontinued operations			
Basic and diluted (<i>HK cents per share</i>)		<u>(1.10)</u>	<u>(2.04)</u>
From continuing operations			
Basic and diluted (<i>HK cents per share</i>)		<u>(1.10)</u>	<u>(2.29)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 HK\$'000	2017 <i>HK\$'000</i>
Loss for the year	<u>(75,333)</u>	<u>(139,823)</u>
Other comprehensive income (expense) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	13,100	(2,194)
Reclassification of foreign currency translation reserve upon disposal of foreign operations	<u>30</u>	<u>—</u>
	<u>13,130</u>	<u>(2,194)</u>
Fair value changes on available-for-sale investments for the year	(1,897)	(50,562)
Reclassification adjustments of investments revaluation reserve upon impairment of available-for-sale investments	<u>1,897</u>	<u>50,562</u>
	<u>—</u>	<u>—</u>
Other comprehensive income (expense) for the year, net of income tax	<u>13,130</u>	<u>(2,194)</u>
Total comprehensive expense for the year	<u>(62,203)</u>	<u>(142,017)</u>
Total comprehensive (expense) income for the year attributable to:		
— Owners of the Company	(62,632)	(142,411)
— Non-controlling interests	<u>429</u>	<u>394</u>
	<u>(62,203)</u>	<u>(142,017)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		29,547	44,560
Goodwill	10	—	1,655
Customer contracts	11	89,177	164,851
Exploration and evaluation assets		—	—
Available-for-sale investments		5,452	7,349
Deferred tax assets		11,464	11,129
Interests in associates		—	—
		<u>135,640</u>	<u>229,544</u>
Current assets			
Trade, bills and other receivables	12	219,329	186,951
Loan receivables	13	162,542	190,147
Amounts due from associates		43,000	61,500
Held-for-trading investments		24,087	24,715
Cash and cash equivalents		170,805	91,279
		<u>619,763</u>	<u>554,592</u>
Assets of a disposal group classified as held for sale		<u>—</u>	<u>39,611</u>
		<u>619,763</u>	<u>594,203</u>
Current liabilities			
Trade and other payables	14	81,497	78,307
Income tax payables		9,932	10,286
		<u>91,429</u>	<u>88,593</u>
Liabilities directly associated with assets classified as held for sale		<u>—</u>	<u>7,388</u>
		<u>91,429</u>	<u>95,981</u>
Net current assets		<u>528,334</u>	<u>498,222</u>
Total assets less current liabilities		<u>663,974</u>	<u>727,766</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 June 2018*

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current liabilities		
Promissory notes	111,771	106,587
Deferred tax liabilities	19,811	42,578
	131,582	149,165
Net assets	532,392	578,601
Capital and reserves		
Share capital	374,628	342,728
Reserves	157,823	221,253
Equity attributable to owners of the Company	532,451	563,981
Non-controlling interests	(59)	14,620
Total equity	532,392	578,601

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve (note i) HK\$'000	Other reserve (note ii) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 July 2016	342,938	652,901	(27,815)	(3,383)	(257,833)	706,808	10,521	717,329
(Loss) profit for the year	—	—	—	—	(140,228)	(140,228)	405	(139,823)
Other comprehensive income (expense) for the year	—	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	(2,183)	—	—	(2,183)	(11)	(2,194)
Fair value changes on available-for-sale investments	—	—	—	(50,562)	—	(50,562)	—	(50,562)
Reclassification adjustments of investments revaluation reserve upon impairment of available-for-sale investments	—	—	—	50,562	—	50,562	—	50,562
Total comprehensive expense (income) for the year	—	—	(2,183)	—	(140,228)	(142,411)	394	(142,017)
Share repurchased (note iii)	(210)	(206)	—	—	—	(416)	—	(416)
Acquisition of subsidiaries	—	—	—	—	—	—	16,911	16,911
Disposal of subsidiaries (note 15)	—	—	—	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

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve (note i) HK\$'000	Other reserve (note ii) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 July 2017	342,728	652,695	(29,998)	—	(401,444)	563,981	14,620	578,601
(Loss) profit for the year	—	—	—	—	(75,721)	(75,721)	388	(75,333)
Other comprehensive income (expense) for the year	—	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	13,059	—	—	13,059	41	13,100
Reclassification of foreign currency translation reserve upon disposal of foreign operations	—	—	30	—	—	30	—	30
Fair value changes on available-for-sale investments	—	—	—	(1,897)	—	(1,897)	—	(1,897)
Reclassification adjustments for impairment of available-for-sale investments	—	—	—	1,897	—	1,897	—	1,897
Total comprehensive expense (income) for the year	—	—	13,089	—	(75,721)	(62,632)	429	(62,203)
Issue of shares upon placing	31,900	—	—	—	—	31,900	—	31,900
Direct expenses of placing	—	(798)	—	—	—	(798)	—	(798)
Disposal of subsidiaries (note 15)	—	—	—	—	—	—	(15,108)	(15,108)
At 30 June 2018	374,628	651,897	(16,909)	—	(477,165)	532,451	(59)	532,392

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2018

Notes:

- i) Exchange differences relating to the translation of the net assets or liabilities of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars ("HK\$")) 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 upon the disposal of the foreign operations.
- ii) Other reserve includes the investments revaluation reserve and 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, the reserve arising from the partial disposal of PR Asia Investment in prior years was transferred to accumulated losses upon disposal of PR Asia Investment as details in note 15.
- iii) 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 2018

1. GENERAL

Silk Road Energy Services Group Limited (the “Company”, together with its subsidiaries collectively, referred to as the “Group”) 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 GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” of the annual report.

The Company is an investment holding company. The principal activities of the Group are (i) provision of coal mining services; (ii) provision of heating supply services; (iii) provision of money lending service and (iv) trading of other material products.

The consolidated financial statements are presented in HK\$. Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currencies are Renminbi (“RMB”), the functional currency of the Company and other subsidiaries is HK\$.

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

In current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Employee Benefits ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfer of Investment Property ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 30 June 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated with irrevocable election to present in other comprehensive income the changes in fair value.

(b) *Impairment*

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. For loan receivables, the Group is required to recognise and measure either 12-month expected credit loss or a life time expected credit loss, depend on the fact and circumstances. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and loan receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contracts with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods and provision of services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more

disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 30 June 2018.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK\$4,209,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use assets and a corresponding liabilities in respect of all these leases unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

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 follow:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Provision of coal mine construction engineering, mechanical equipment installation and coal production and technical services	273,133	256,645
Trading of other mineral products	—	95,769
Interest income from money lending business	18,763	18,851
Provision of heating supply services	6,268	8,028
	<u>298,164</u>	<u>379,293</u>

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The CODM have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Coal mining services — Provision of coal mine construction engineering, mechanical equipment installation and coal production and technical services
- Other mineral products — Trading of other mineral products
- Money lending — Provision of money lending services in Hong Kong and the PRC
- Heating supply services — Provision of heating supply services

The segment information reported on the next pages did not include any amounts for the discontinued operations.

Segment revenues and results

The following is an analysis of the Group's revenues and results from continuing operations by reportable and operating segments.

Continuing operations	Segment revenues		Segment results	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coal mining services	273,133	256,645	(69,033)	11,320
Other mineral products	—	95,769	—	(3,591)
Money lending	18,763	18,851	8,472	16,200
Heating supply services	6,268	8,028	4,294	(11,013)
Total for continuing operations	<u>298,164</u>	<u>379,293</u>	<u>(56,267)</u>	<u>12,916</u>
Share of results of associates			—	(415)
Other income			2,092	1,646
Other losses			(5,346)	(35,562)
Loss on disposal of subsidiaries			(1,016)	—
Impairment loss recognised in respect of amounts due from associates			(6,000)	(60,000)
Impairment loss recognised in respect of available-for-sales ("AFS") investments			(1,897)	(50,562)
Gain on early redemption of promissory notes			—	892
Finance costs			(6,854)	(8,131)
Central administrative costs			(16,886)	(16,519)
Loss before taxation			<u>(92,174)</u>	<u>(155,735)</u>

The accounting policies of the operating segments are same as the Group's accounting policies. Segment results represent the profit (loss) incurred by each segment without allocation of share of results of associates, certain other income, other losses, loss on disposal of subsidiaries, impairment losses recognised in respect of AFS investments and amounts due from associates, gain on early redemption of promissory notes, finance costs and central administrative costs. This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from continuing operations from external customers is presented based on the location of the operation. Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	Hong Kong		The PRC		Consolidated	
	2018	2017	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>7,301</u>	<u>15,743</u>	<u>290,863</u>	<u>363,550</u>	<u>298,164</u>	<u>379,293</u>
Non-current assets (note)	<u>563</u>	<u>755</u>	<u>118,161</u>	<u>210,311</u>	<u>118,724</u>	<u>211,066</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. OTHER INCOME

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on bank deposits	369	210
Government grants (note)	10,406	741
Leasing income from machinery	1,538	—
Sundry income	<u>1,723</u>	<u>1,436</u>
	<u>14,036</u>	<u>2,387</u>

Note:

For the years ended 30 June 2017 and 2018, the amounts represent unconditional grants from the government for subsidizing the operation of an enterprise in the PRC.

6. OTHER LOSSES

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value changes on held-for-trading investments	<u>5,346</u>	<u>35,562</u>

7. INCOME TAX (CREDIT) EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Current tax:		
Hong Kong Profits Tax	114	504
PRC Enterprise Income Tax	<u>7,175</u>	<u>10,917</u>
	7,289	11,421
Deferred tax:		
Current year	<u>(24,130)</u>	<u>(7,566)</u>
	<u>(16,841)</u>	<u>3,855</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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

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

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging:		
Employee benefits expenses:		
Directors' emoluments	4,864	5,374
Other staffs' salaries and allowances	121,578	108,109
Other staffs' retirement benefits scheme contributions	8,593	6,329
Other staffs' welfare	<u>2,275</u>	<u>1,271</u>
Total employee benefits expenses	<u>137,310</u>	<u>121,083</u>
Auditor's remuneration	1,300	1,060
Depreciation and amortisation	28,635	36,569
Loss on disposal of property, plant and equipment	—	1,093
Operating lease rentals in respect of rented premises	<u>5,666</u>	<u>6,728</u>

9. 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (for the year attributable to owners of the Company)	<u>(75,721)</u>	<u>(140,228)</u>
	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	<u>6,859,806</u>	<u>6,857,681</u>

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 30 June 2017 and 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	(75,721)	(140,228)
Less: profit for the year from discontinued operations	<u>—</u>	<u>(17,082)</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(75,721)</u>	<u>(157,310)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 30 June 2017 and 2018.

From discontinued operations

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit		
Profit for the purpose of basic and diluted earnings per share		
from discontinued operations	—	17,082

The denominator used was the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

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 2017.

10. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 July 2016	49,800
Derecognition upon disposal of subsidiaries (<i>note 15</i>)	(48,086)
Exchange realignment	(59)
At 30 June 2017 and 1 July 2017	1,655
Exchange realignment	84
At 30 June 2018	1,739
Accumulated impairment losses	
At 1 July 2016	31,024
Derecognition upon disposal of subsidiaries (<i>note 15</i>)	(31,024)
At 30 June 2017 and 1 July 2017	—
Impairment loss recognised for the year	1,739
As 30 June 2018	1,739
Carrying amount	
At 30 June 2018	—
At 30 June 2017	1,655

As at 30 June 2017 and 2018, goodwill with cost of RMB1,468,000 (equivalent to HK\$1,739,000) was allocated to the Everbest Return Limited and its subsidiaries (“Everbest Return Group”) which are principally engaged in the provision of coal mining service.

Goodwill with cost of HK\$26,262,000 was allocated to the PR ASIA Consultants Limited, a wholly owned subsidiary of PR Asia Investment, which is engaged in the provision of public relations services in prior years. Such goodwill was derecognised during the year ended 30 June 2017 upon disposal of PR ASIA Group as detailed in note 15.

Goodwill with cost of Mongolian Tugrik 5,527,603,000 (equivalent to HK\$21,824,000) was allocated to the Sino-Mongolia Fluorspar Mining Co., Limited and its subsidiaries (“Sino-Mongolia Group”) which is principally engaged in the processing and trading of fluorite products. Such goodwill was derecognised during the year ended 30 June 2017 upon disposal of Sino-Mongolia Group.

Everbest Return Group

The recoverable amount of the cash-generating units (the “CGU”) was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period, approved by the management. The cash flows beyond the five-year period were extrapolated using a steady growth rate at 2% (2017: 2%). The cash flow projection is discounted at pre-tax discount rate of 24% (2017: 23%) per annum which reflects the specific risks relating to this CGU.

The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecast periods, which are determined by management based on past performance and managements’ expectations for the market development.

An impairment loss of HK\$76,299,000 has been recognised for the CGU as the recoverable amount of the CGU was less than its carrying amount. The impairment loss was allocated to reduce the carrying amount of assets of the CGU in the following order:

- (a) First, to reduce the carrying amount of goodwill of HK\$1,739,000; and
- (b) Then, to reduce carrying amounts of the property, plant and equipment and the customer contracts of HK\$12,900,000 and HK\$61,660,000 (as disclosed in note 12) respectively on pro rata basis based on the carrying amounts of each asset in the CGU.

During the year ended 30 June 2018, the Group incurred higher cost of mining services, mainly labour costs, as extra labour was required for mining the agreed quantity of coal mining owing to unfavourable mining conditions. As a result, the gross margin of the CGU declined in the current year and the future cash flow has been revised based on the management’s expectation for the mining operations.

11. CUSTOMER CONTRACTS

HK\$'000

Cost

At 1 July 2016	317,506
Exchange realignment	(4,597)

At 30 June 2017 and 1 July 2017	312,909
Exchange realignment	9,411

At 30 June 2018	322,320
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Accumulated amortisation and impairment losses

At 1 July 2016	120,285
Amortisation during the year	29,244
Exchange realignment	(1,471)

At 30 June 2017 and 1 July 2017	148,058
Amortisation during the year	19,282
Impairment loss recognised for the year	61,660
Exchange realignment	4,143

At 30 June 2018	233,143
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Carrying amounts

At 30 June 2018	89,177
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At 30 June 2017	164,851
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The customer contracts have finite useful lives and are amortised on a straight-line basis over 8–18 years.

During the year ended 30 June 2018, an impairment loss of HK\$61,660,000 (2017: nil) was recognised in the profit and loss. Details of the impairment assessment are set out in note 10.

12. TRADE, BILLS AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	120,062	124,244
Bills receivables	48,699	26,816
Receivables arising from dealing in listed securities	9,951	116
Other deposits paid	36,902	28,020
Less: Impairment loss	—	(2,335)
	<u>36,902</u>	<u>25,685</u>
Prepayments	2,918	375
Other receivables	<u>797</u>	<u>9,715</u>
	<u>219,329</u>	<u>186,951</u>

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–30 days	26,280	39,104
31–60 days	40,359	28,229
61–90 days	18,316	27,925
Over 90 days	<u>35,107</u>	<u>28,986</u>
	<u>120,062</u>	<u>124,244</u>

The Group grants a credit period of 30 days to its customers. No interest is charged on overdue trade receivables. The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality as 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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Up to 90 days	90,829	77,457
91 – 180 days	2,051	7,048
Over 180 days	902	635
	<u>93,782</u>	<u>85,140</u>

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.

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Balance at the beginning of the year	—	8,079
Disposal of subsidiaries	—	(8,079)
	<u>—</u>	<u>(8,079)</u>
Balance at the end of the year	<u>—</u>	<u>—</u>

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Balance at the beginning of the year	2,335	2,335
Amounts written off as uncollectible	(2,335)	—
	<u>—</u>	<u>—</u>
Balance at the end of the year	<u>—</u>	<u>2,335</u>

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

13. LOAN RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Unsecured loan receivables	178,460	201,956
Less: impairment losses recognised	<u>(15,918)</u>	<u>(11,809)</u>
	<u>162,542</u>	<u>190,147</u>

At 30 June 2018, loans to third parties with an aggregate principal and accrued interest amounting to HK\$162,542,000 (2017: HK\$190,147,000) are unsecured, bear fixed interest ranging from 9.8% to 30% (2017: 5% to 30%) per annum and are repayable within one year and thus classified as current assets. Loan receivables of HK\$81,068,000 (2017: nil) are guaranteed by guarantors.

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Balance at the beginning of the year	11,809	9,634
Impairment loss recognised during the year	<u>4,109</u>	<u>2,175</u>
Balance at the end of the year	<u>15,918</u>	<u>11,809</u>

Impairment loss of HK\$15,918,000 (2017: HK\$11,809,000) recognised as at 30 June 2018 is based on estimated irrecoverable amount after considering the financial position of the borrowers and guarantors, subsequent settlement and the creditability of the borrowers.

14. TRADE AND OTHER PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–30 days	920	2,126
31–60 days	393	5,925
61–90 days	86	2,611
Over 90 days	<u>2,040</u>	<u>8,996</u>
	<u>3,439</u>	<u>19,658</u>

The average credit period on purchases is generally from 30 days extending up to 90 days for major suppliers.

15. DISPOSAL OF SUBSIDIARIES

Year ended 30 June 2018

On 24 June 2017 and 30 August 2017, the Group entered into a sale and purchase agreement and supplemental agreement to dispose of its 100% equity interest in 北京達慧城 and its subsidiaries, which mainly operates heating supply services in the PRC, to an independent third party at a cash consideration of RMB14,060,000 (equivalent to HK\$16,326,000). The disposal was completed on 8 September 2017.

	<i>HK\$'000</i>
Cash consideration received	<u>16,326</u>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	4,663
Trade and other receivables	35,716
Cash and cash equivalents	57
Trade and other payables	<u>(8,016)</u>
Net assets disposed of	<u>32,420</u>
Loss on disposal of subsidiaries:	
Consideration received	16,326
Net assets disposed of	(32,420)
Non-controlling interests	15,108
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	<u>(30)</u>
Loss on disposal	<u><u>(1,016)</u></u>
Net cash inflow arising on disposal:	
Cash consideration	16,326
Less: cash and cash equivalents disposed of	<u>(57)</u>
	<u><u>16,269</u></u>

Year ended 30 June 2017

- A. On 16 October 2016, the Group, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, pursuant to which the Group conditionally agreed to sell, and the purchaser conditionally agreed to acquire, 60% of the issued share capital of PR ASIA Investment, at a total consideration of HK\$36,300,000. Upon the completion of the disposal on 2 November 2016, PR ASIA Investment was no longer a subsidiary of the Company and the Group ceased to hold any equity interest in each member of PR ASIA Group. As at 30 June 2017, the whole consideration of HK\$36,300,000 was received. The aggregate net assets of the subsidiaries disposed of at the date of disposal were as follows:

	<i>HK\$'000</i>
Total cash consideration	<u>36,300</u>
Analysis of assets and liabilities over which control was lost:	
Goodwill (<i>note 10</i>)	17,062
Deferred tax assets	153
Property, plant and equipment	193
Trade and other receivables	9,554
Cash and cash equivalents	7,997
Trade and other payables	(1,432)
Income tax payables	<u>(635)</u>
Net assets disposed of	<u><u>32,892</u></u>
Gain on disposal of subsidiaries	
Consideration received	36,300
Net assets disposed of	(32,892)
Non-controlling interests	<u>13,206</u>
Gain on disposal	<u><u>16,614</u></u>
Net cash inflow arising on disposal:	
Cash consideration	36,300
Less: cash and cash equivalents disposed of	<u>(7,997)</u>
	<u><u>28,303</u></u>

- B. On 21 April 2017, the Group, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, pursuant to which the Group conditionally agreed to sell, and the purchaser conditionally agreed to acquire, 100% of the issued and fully paid share capital of Sino-Mongolia, at a total consideration of RMB9,500,000 (equivalent to HK\$10,714,000). Upon the completion of the disposal in May 2017, Sino-Mongolia was no longer a subsidiary of the Company and the Group ceased to hold any equity interest in each member of Sino-Mongolia Group. As at 30 June 2017, the whole consideration of HK\$10,714,000 was received. The aggregate net assets of the subsidiaries disposed of at the date of disposal were as follows:

	<i>HK\$'000</i>
Total cash consideration	10,714
Analysis of assets and liabilities over which control was lost:	
Goodwill (<i>note 10</i>)	—
Property, plant and equipment	4,128
Exploration and evaluation assets	—
Trade and other receivables	2,337
Inventories	3,017
Cash and cash equivalents	340
Trade and other payables	(2,518)
Deferred tax liabilities	(54)
Net assets disposed of	7,250
Gain on disposal of subsidiaries	3,464
Net cash inflow arising on disposal:	
Cash consideration	10,714
Less: cash and cash equivalents disposed of	(340)
	10,374

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the Year, the Group recorded a revenue from continuing operations of approximately HK\$298.16 million (2017: HK\$379.29 million), representing a decrease of 21.39% as compared with that of the corresponding year in 2017. The decrease in revenue was primarily due to the temporary suspension of the operations in trading of mineral products which contributed approximately HK\$95.77 million revenue in the corresponding year in 2017. The Group's gross profit from continuing operations for the year decreased from HK\$68.04 million to approximately HK\$60.02 million but the gross profit margin increased from 17.94% to 20.13% for the year. The decrease in gross profit was mainly due to the lower profit margin from the provision of coal mining services segment and gross loss recognized in the provision of heat supply service. The increase in profit margin was primarily due to the trading business carried on in the corresponding year in 2017 with a relatively low gross profit margin as compared to the money lending business and provision of mining services.

During the Year, the Group recorded a significant increase in other income, from HK\$2.39 million to HK\$14.04 million, the increase was mainly due to the government subsidies in the amount of approximately HK\$10.41 million received by the Group for the provision of heating services. The Group recorded a loss of approximately HK\$5.35 million (2017: HK\$35.56 million) of other losses. The significant decrease was mainly due to the decrease in loss arising on change in fair value of the listed securities from HK\$48.96 million to HK\$8.54 million which was partially set off against gain on disposal for held-for-trading investments of approximately HK\$3.19 million (2017: HK\$13.40 million).

During the reporting Year, the Group recognized an impairment loss in respect of available-for-sale investment amounted to HK\$1.90 million (2017: HK\$50.56 million). The Group did not record any selling and distribution expenses (2017: HK\$0.46 million) because of the temporary suspension of trading business. The Group recorded administrative and other operating expenses from continuing operations in the amount of HK\$64.71 million (2017: HK\$69.75 million). These expenses decreased as compared with the correspondence year in 2017 mainly due to the decrease in amortisation of customer contracts. The Group also recorded impairment loss recognised in respect of goodwill, impairment loss recognized in respect of customer contracts, impairment loss recognized in respect of property, plant and equipment and finance costs in the amount of HK\$1.74 million (2017: nil), HK\$61.66 million (2017: nil), HK\$12.90 million (2017: nil) and HK\$6.85 million (2017: HK\$8.13 million) respectively. The decrease in finance costs was mainly due to the decrease in imputed interests on promissory notes.

As the Group's 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. However, an impairment loss of approximately HK\$6 million (2017: HK\$60 million) was

recognized in respect of the amount from the associated companies which engaged in the securities trading business. In determining the impairment of the amount due from associated companies (the “Outstanding Balance”), the Group assessed the recoverability on the Outstanding Balance on the assumption that the associated companies have disposed of all their assets, principal securities trading on Hong Kong Stock Exchange, at market price and applied the proceeds to settle the Outstanding Balance. The impairment loss represented the shortage between the value of assets held by the associate companies and their liabilities. After reviewing the fair value of assets held by the associated companies and their liabilities, an impairment loss of HK\$6 million was recognised for the year ended 30 June 2018.

The income tax changed from tax expenses of HK\$3.86 million for the year ended 30 June 2017 to tax credit of HK\$16.84 million for the year ended 30 June 2018 due to the increase in deferred taxation written back.

In conclusion, loss attributable to owners of the Company from continuing operations for the year amounted to approximately HK\$75.72 million (2017: HK\$157.31 million), representing a decrease of 51.87%. The decrease in loss from continuing operations was mainly due to the significant decrease in impairment loss recognized in respect of available-for-sale investment, from HK\$50.56 million to HK\$1.90 million, decrease in loss arising on change in fair value of held-for-trading investments from HK\$48.96 million to HK\$8.54 million, and decrease in impairment loss recognized in respect of amount due from associates from HK\$60 million to HK\$6 million and a tax credit of HK\$16.84 million (2017: expense of HK\$3.86 million) but was set off against impairment losses recognized in respect of customer contracts and property, plant and equipment, amounting to HK\$74.56 million (2017: nil).

PROVISION OF COAL MINING SERVICES

The Group provided coal mining services including coal production and excavation works to six coal mines, in which one coal mine has suspended operations, during the year. The contributions from the suspended mine was immaterial for the reporting year and its correspondence year in 2017. During the year ended 30 June 2018, approximately 13.73 million tonnes of coal had been produced and approximately 10.73 kilometres of tunnels had been excavated by the Group. The revenues generate from mining services increased from HK\$256.65 million to HK\$273.13 million. The revenue of provision of coal mining services accounted for 91.61% of the Group’s total revenue from continuing operations. This segment recorded a loss of HK\$69.03 million (2017: a gain of HK\$11.32 million) after deducting amortization of customer contracts, an impairment loss recognized in respect of customers contract and an impairment loss recognized in respect of property, plant and equipment. The change was mainly due to the impairment loss in respect of customer contracts and the increase in production costs, mainly labor costs as the wages increase and extra labor was required for mining the budgeted quantity of coal owing to unfavorable mining conditions.

TRADING OF MINERAL PRODUCTS

The Group has temporary suspended the trading business because of very low gross profit margin. Accordingly, no revenue (2017: HK\$95.77 million) was generated during the year.

MONEY LENDING BUSINESS

The Group operates its money lending business in the People's Republic of China ("PRC") through the Company's PRC subsidiary to grant short term loans to third parties, and in Hong Kong through its indirectly wholly-owned subsidiary, which obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). During the year, the revenue from interest income on loans was approximately HK\$18.76 million (2017: HK\$18.85 million) which accounted for 6.29% of the Group's total revenue from continuing operations. The interest rate charged by the Group ranged from 9.8% to 30% per annum. The loans were unsecured, with credit terms not more than one year.

PROVISION FOR HEATING SUPPLY

The Group diversified into the business of provision of heating supply services in Tianjin City of the PRC since 2016. The services include transformation of coal-fired heating systems and provision of heating to the customers. During the year, the Group's provision of heating supply services recorded a revenue of approximately HK\$6.27 million (2017: HK\$8.03 million) which accounted for 2.10% 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\$10.41 million in relation to convert the boilers from coal to natural gas, acquisition of machines and the extra days for providing heat during the last winter. The Group has recognised the subsidy as other income on cash basis. As such, the group recorded a gain of approximately HK\$4.29 million (2017: loss of HK\$11.01 million) in this segment for the year.

On 8 September 2017, the Group has completed the disposal of its 100% equity interest in 北京達慧城新能源技術服務有限公司("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 year.

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 has been no material development and the Directors considered that the cooperation is not likely to proceed.

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

As at 30 June 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\$5.45 million (30 June 2017: HK\$7.35 million) and HK\$24.09 million (30 June 2017: HK\$24.72 million) respectively.

The available-for-sale investment represented the Group's investment in China Green (Holdings) Limited whose shares are listed on the Hong Kong Stock Exchange and principally 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 market price.

During the Year, the Group recorded a loss arising on change in fair value of held for trading investments of approximately HK\$8.54 million and a gain on disposal of held for trading investment of approximately HK\$3.19 million.

The details of held-for-trading investments are as follows:

Investee	Stock code	Carrying amount as at 30/6/2017 HK\$'000	Costs Acquisition during the year HK\$'000	Proceeds from disposal during the year HK\$'000	Realised Gain/(loss) on disposal during the year HK\$'000	Unrealised fair value gain/(loss) for during the year HK\$'000	Market Value as at 30/6/2018 HK\$'000
Best Food Holding Company Limited	1488	—	11,620	—	—	1,449	13,069
Huarong Investment Stock Corporation Limited	2277	—	3,064	—	—	(2,205)	859
China New Economy Fund Limited	80	1,161	3,871	(2,358)	(293)	(599)	1,782
Lai Group Holding Company Limited	8455	—	6,181	—	—	(1,021)	5,160
IR Resources Limited	8186	1,912	—	(189)	(124)	(482)	1,117
Goal Forward Holdings Limited	8240	—	2,051	—	—	(148)	1,903
China Wah Yan Healthcare Limited	2906	8,424	—	(2,579)	(904)	(4,941)	—
New Ray Medicine International Holding Limited	6108	—	584	—	—	(584)	—
WLS Holdings Limited	8021	727	—	(2,373)	1,646	—	—

Investee	Stock code	Carrying amount as at 30/6/2017 HK\$'000	Costs Acquisition during the year HK\$'000	Proceeds from disposal during the year HK\$'000	Realised Gain/(loss) on disposal during the year HK\$'000	Unrealised fair value gain/(loss) for during the year HK\$'000	Market Value as at 30/6/2018 HK\$'000
First Credit Finance Group Limited	8215	—	2,940	(594)	(2,346)	—	—
LEAP Holdings Group Limited	1499	10,139	—	(14,756)	4,617	—	—
Jun Yang Financial Holdings Limited	397	2,352	—	(2,952)	600	—	—
Other		—	209	—	—	(12)	197
Total		<u>24,715</u>	<u>30,520</u>	<u>(25,801)</u>	<u>3,196</u>	<u>(8,543)</u>	<u>24,087</u>

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 year.

OTHERS

On 16 March 2018 and 24 April 2018, the Company entered into a memorandum of understanding (“Cooperation MOU”) and a binding strategic cooperation agreement (“Cooperation Agreement”) with Yue’s Tongren Pharmaceutical Technology Group Co., Ltd. (“Yue’s Tongren”) regarding the parties’ possible cooperation in business relating to Chinese medicine, healthcare products and other daily necessities, respectively. On 13 August 2018 and 8 August 2018, the Company’s Hong Kong office and Shenzhen office have respectively received the same notice dated 27 July 2018 from Yue’s Tongren (the “Notice”) pursuant to which Yue’s Tongren sought to terminate the Cooperation Agreement based on certain allegations. The Company is of the view that the allegations are ill-founded and do not amount to lawful grounds to terminate the Cooperation Agreement under applicable laws. On 23 August 2018, the Company responded to the Notice to defend the Company’s position by refuting the false allegations and unlawful termination of the Cooperation Agreement. Since then, there was no material development. Yue’s Tongren has already returned to the Company the post-date cheque of HK\$5 million paid by the Company to Yue’s Tongren as earnest money. In view of the latest development, the Board is of the view that it may be difficult for the Company and Yue’s Tongren to continue with any further cooperation and the cooperation is very likely to be terminated. The Board considers that the purported termination of the Cooperation Agreement by Yue’s Tongren

will not result in any material adverse impact on the operation or financial position of the Group. For details, please refer to the Company's announcement dated 16 March 2018, 24 April 2018 and 13 August 2018.

On 7 May 2018, Shenzhen Smart City (a wholly-owned subsidiary of the Company) and Hu Mao Sheng Tang entered into the Articles, pursuant to which the parties thereto agreed to established an entity ("Entity") for the purpose of engaging in, among other things, the business of research and development and sale of health products. The registered capital of the Entity shall be RMB100 million and Shenzhen Smart City shall contribute RMB18 million, representing 18% of the registered capital of the Entity. The capital contribution of RMB18 million shall be satisfied by internal resources of the Group. As at the date of this announcement, the Group has yet pay up any capital. The Company has been considering venturing into new business areas to broaden its source of revenue thereby creating greater value for its shareholders. The formation of Entity will enable the Company to venture into the healthcare product market which the Directors foresee great potential and opportunities. Furthermore, by partnering with Hu Mao Sheng Tang, the Group can benefit from Hu Mao Sheng Tang's extensive experience and resources in the biotechnology and medical big health market to establish its position in the healthcare product market. The Directors believe that the formation of Entity would be beneficial for the Group's development in the future.

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 has showed significant recovery. As the market improved, the financial positions of the mine owners have also improved but such improvement has not benefited 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. As the Group will negotiate with the coal miners with respect to the renewal of the mining service contracts, the Group will strive to obtain better terms which will be in the interest of the Company.

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.

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.

In view of trade conflict between China and America may have impact on the economics of China and Hong Kong, the Group will continue to 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group held cash and cash equivalents of approximately HK\$170.81 million (30 June 2017: HK\$91.28 million). Net current assets amounted to approximately HK\$528.33 million (30 June 2017: HK\$498.22 million).

As at 30 June 2018, the current ratio (defined as total current assets divided by total current liabilities) was approximately 6.78 times (30 June 2017: 6.19 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.30 (30 June 2017: 0.30).

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

USE OF PROCEEDS FROM PLACING

On 30 April 2018, the Company entered into a placing agreement with Kingston Securities Limited (“Placing Agent”). Under the placing, the Company would conditionally place, through the Placing Agent placed new ordinary shares of HK\$0.05 each of the Company (“Shares”) to independent investors at a price of HK\$0.05 per share on a best efforts basis. The placing was completed on 27 June 2018 upon which an aggregate of 638,000,000 new Shares were successfully placed at the placing price of HK\$0.05 per placing shares. The net proceeds raised from the placing were approximately HK\$30.7 million. As disclosed in the announcement dated 27 June 2018, the Company intended to apply the net proceeds raised from the Placing as to approximately HK\$20 million for the cooperation in business relating to Chinese medicine and daily necessities between the Company and Yue’s Tongren Pharmaceutical Technology Group Company Limited (the “Yue’s Tongren”) and the remaining balance to be used for the general working capital. As at the date of this announcement, the Group had applied approximately HK\$20 million to set up a wholly owned subsidiary in the Shenzhen Qianhai Shekou free trade zone as the only management platform for the big health business of the Company and Yue’s Tongren. However, in view of Yue’s Tongren purported termination of the co-operation with the Company in August 2018 as discussed in the paragraph headed “Others” in this section, the Directors had not yet determined the future use of such proceeds. The remaining balance of approximately HK\$10.7 million was deposited into the banks.

The Company completed the placing of an aggregate of 1,046,260,000 Shares on 21 April 2016. The net proceeds from the placing was of approximately HK\$201.28 million. The Group intended to use 80% (approximately HK\$160 million) of the proceeds for the development in the business of provision of services related to clean energy and the remaining 20% (approximately HK\$40 million) of the proceeds for working capital purpose. As at the date of this announcement, the Group had utilized approximately HK\$81 million for the business of provision of services related to clean energy including (i) investment in the joint ventures for the provision of heat supply services, (ii) capital expenditure such as purchasing heat supply equipment and carrying construction works and (iii) operation costs of the joint ventures, and approximately HK\$40 million for general working capital. The remaining balance was deposited into the banks.

SHARE CAPITAL

As at 1 July 2017 and 30 June 2018, the authorized share capital of the Company was HK\$1,500,000,000 divided into 30,000,000,000 shares of the Company of HK\$0.05 each (“Share(s)”). As at 1 July 2017, the issued share capital of the Company was approximately HK\$342,728,117 divided into 6,854,562,338 Shares. On 27 June 2018, the Company has issued 638,000,000 shares upon completion of the placing. Accordingly, as at 30 June 2018, the issued share capital of the Company was approximately HK\$374,628,117 divided into 7,492,562,338 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 minimize currency risks.

MATERIAL ACQUISITION AND DISPOSALS

On 26 June 2017, the Group entered into an equity transfer agreement as vendor with an independent third party as purchaser to dispose of 51% equity interest in 北京達慧城 which engaged through its subsidiaries 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 during the year.

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 fees under the services contracts; 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 year 2014'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 of Hong Kong 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 2018, the Group had a capital commitment contracted for but not provided in the financial statements in respect of capital injection in an investee amounted to HK\$21.33 million.

PLEDGE OF ASSETS

As at 30 June 2018, none of the assets of the Group were pledged as security for any banking facilities.

EMPLOYEE INFORMATION

As at 30 June 2018, there were 1,439 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 2018, the Group had no significant contingent liabilities.

DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

OTHER INFORMATION

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

As at 30 June 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 year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 30 June 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 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	8.10%
陳英	Beneficial owner	645,380,000	8.61%
Huang Xinsong (<i>Note 1</i>)	Held by controlled entity	511,320,000	6.82%
159 Anti-Aging Health Group Ltd. (<i>Note 2</i>)	Beneficial owner	511,320,000	6.82%
許功明 (<i>Note 3</i>)	Held by controlled entity	336,000,000	4.48%
許功明	Beneficial owner	235,138,000	3.14%

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, the company is incorporated in the British Virgin Islands and are wholly and beneficially owned by Mr. Huang.

Note 2: 159 Anti-Aging Health Group Ltd. is a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Huang.

Note 3: 許功明 is deemed to be interested in 336,000,000 shares held by Hondex Investments Limited which is a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by 許功明.

Save as disclosed above, as at 30 June 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.

Directors' and Controlling Shareholders' Interests in Contracts

There were no contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

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.

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

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 2018 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
Co-Chairman

Hong Kong, 19 September 2018

As at the date of this announcement, 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) one non-executive Director namely Mr. Zhang Liqing; and (ii) four independent non-executive Directors namely, Ms. Wong Na Na, Mr. Wang Zhixiang; Ms. Feng Jibei and Mr. Chen Xier.