



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF
HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 31 December 2018, together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2018

		Three months ended 31 December		Six months ended 31 December	
		2018	2017	2018	2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	84,011	75,615	171,399	153,148
Cost of sales and services rendered		<u>(64,170)</u>	<u>(56,871)</u>	<u>(130,226)</u>	<u>(118,651)</u>
Gross profit		19,841	18,744	41,173	34,497
Other income		6,583	4,177	8,087	5,691
Other gains and losses	5	2,088	(3,140)	(3,032)	(4,407)
Administrative and other operating expenses		(25,621)	(21,779)	(40,244)	(38,830)
Impairment loss recognised in respect of loan receivables		–	(1,088)	–	(1,088)
Loss on disposal of subsidiaries		–	–	–	(1,016)
Finance costs	7	<u>(1,682)</u>	<u>(1,605)</u>	<u>(3,457)</u>	<u>(3,210)</u>
Profit (loss) before taxation		1,209	(4,691)	2,527	(8,363)
Income tax expense	8	<u>(899)</u>	<u>(695)</u>	<u>(3,532)</u>	<u>(581)</u>
Profit (loss) for the period	6	<u><u>310</u></u>	<u><u>(5,386)</u></u>	<u><u>(1,005)</u></u>	<u><u>(8,944)</u></u>

	Three months ended 31 December		Six months ended 31 December	
	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
<i>Notes</i>				
Profit (loss) for the period attributable to:				
Owners of the Company	223	(5,654)	(1,010)	(9,110)
Non-controlling interests	87	268	5	166
	<u>310</u>	<u>(5,386)</u>	<u>(1,005)</u>	<u>(8,944)</u>
Earning (loss) per share				
– Basic and diluted (<i>HK cents per share</i>)	<u>0.003</u>	<u>(0.08)</u>	<u>(0.01)</u>	<u>(0.13)</u>
Profit (loss) for the period	310	(5,386)	(1,005)	(8,944)
Other comprehensive income (expense) for the period, net of tax				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Fair value changes on available-for-sale investments	474	–	–	–
Exchange differences on translating foreign operations	1,624	10,448	(16,248)	18,790
	<u>2,098</u>	<u>10,448</u>	<u>(16,248)</u>	<u>18,790</u>
Total comprehensive income (expense) for the period, net of tax attributable to:	<u>2,408</u>	<u>5,062</u>	<u>(17,253)</u>	<u>9,846</u>
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	2,321	4,794	(17,258)	9,538
Non-controlling interests	87	268	5	308
	<u>2,408</u>	<u>5,062</u>	<u>(17,253)</u>	<u>9,846</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 and 30 June 2018

	Notes	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		26,569	29,547
Customer contracts	11	76,111	89,177
Financial assets at fair value through profit or loss		1,944	–
Available-for-sale investments		–	5,452
Deferred tax assets		11,014	11,464
		<u>115,638</u>	<u>135,640</u>
Current assets			
Trade, bills and other receivables	12	234,691	219,329
Loan receivables		212,312	162,542
Amounts due from associates		43,000	43,000
Held-for-trading investments		28,090	24,087
Cash and cash equivalents		105,268	170,805
		<u>623,361</u>	<u>619,763</u>
Current liabilities			
Trade and other payables	13	79,103	81,497
Contract liabilities		3,426	–
Income tax payables		9,538	9,932
		<u>92,067</u>	<u>91,429</u>
Net current assets		<u>531,294</u>	<u>528,334</u>
Total assets less current liabilities		<u>646,932</u>	<u>663,974</u>
Non-current liabilities			
Promissory note		115,136	111,771
Deferred tax liabilities		16,657	19,811
		<u>131,793</u>	<u>131,582</u>
Net assets		<u>515,139</u>	<u>532,392</u>
Capital and reserves			
Share capital		374,628	374,628
Reserves		140,565	157,823
Equity attributable to owners of the Company		515,193	532,451
Non-controlling interests		(54)	(59)
Total equity		<u>515,139</u>	<u>532,392</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 July 2018 (Audited)	374,628	651,897	(16,909)	(477,165)	532,451	(59)	532,392
(Loss) profit for the period	–	–	–	(1,010)	(1,010)	5	(1,005)
Exchange differences on translating foreign operations	–	–	(16,248)	–	(16,248)	–	(16,248)
Balance at 31 December 2018 (Unaudited)	<u>374,628</u>	<u>651,897</u>	<u>(33,157)</u>	<u>(478,175)</u>	<u>515,193</u>	<u>(54)</u>	<u>515,139</u>

For the six months ended 31 December 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 July 2017 (Audited)	342,728	652,695	(29,998)	(401,444)	563,981	14,620	578,601
(Loss) profit for the period	–	–	–	(9,110)	(9,110)	166	(8,944)
Exchange differences on translating foreign operations	–	–	18,648	–	18,648	142	18,790
Total comprehensive income (expense) for the period	–	–	18,648	(9,110)	9,538	308	9,846
Disposal of subsidiaries	–	–	30	–	30	(15,209)	(15,179)
Balance at 31 December 2017 (Unaudited)	<u>342,728</u>	<u>652,695</u>	<u>(11,320)</u>	<u>(410,554)</u>	<u>573,549</u>	<u>(281)</u>	<u>573,268</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Six months ended	
	31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) from operating activities	(64,917)	25,384
Net cash from investing activities	2,711	14,171
Net cash from financing activities	—	—
Net (decrease) increase in cash and cash equivalents	(62,206)	39,555
Cash and cash equivalents at beginning of period	170,805	91,279
Effect of foreign exchange rate changes	(3,331)	(17,849)
Cash and cash equivalents at end of period, represented by bank balances and cash	<u>105,268</u>	<u>112,985</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, and its shares are listed on GEM.

The Company is an investment holding company. Its subsidiaries were principally engaged in the (i) provision of coal mining services; (ii) provision for heating supply services; (iii) trading of mineral products and (iv) provision of money lending services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2018 (“**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation applied in preparation of the Interim Financial Statements are consistent with those applied in preparing the Group’s annual consolidated financial statements for the year ended 30 June 2018, except for those due to the application of the new and revised Standards, Amendments and Interpretations (collectively the “**new and revised HKFRSs**”) issued by the HKICPA.

The new adopted revised amendments include:

(1) **HKFRS 9 Financial instruments**

HKFRS 9 introduces new requirements for (i) classification and measurement of financial assets and financial liabilities, (ii) expected credit losses for financial assets and (iii) hedge accounting.

(a) Classification and measurement

For available-for-sale investments amounting to HK\$5,452,000 carried at fair value as at 30 June 2018, the Group has not elected the option for designation at fair value through other comprehensive income (“**FVTOCI**”) and reclassified them to financial assets at fair value through profit or loss (“**FVTPL**”). For the available-for-sale unlisted equity securities carried at cost less impairment, the Group has not elected the option for designation at FVTOCI and reclassified them to financial assets at FVTPL. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss.

The Directors reviewed and assessed the Group’s other existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

(b) Impairment

The Group applied the simplified approach to provide for expected credit losses (“ECL”) that are estimated based on the present value of all cash shortfalls over the remaining life of all 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 as at 1 July 2018. Based on the preliminary assessment, it is concluded that, as at 1 July 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL models were not significantly different to the impairment losses previously recognised under HKAS 39.

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of HKFRS 9:

	Carrying amount previously reported as at 30 June 2018 <i>HK\$'000</i>	Impact on adoption of HKFRS 9 <i>HK\$'000</i>	Carrying amount as restated before adoption of HKFRS 9 as at 1 July 2018 <i>HK\$'000</i>
Current assets			
Available-for-sale investments	5,452	(5,452)	–
Financial assets at fair value through profit or loss	–	5,452	5,452

(2) HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue 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. The core principle of HKFRS 15 is that an entity should recognize 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.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the current interim period and accumulated losses as at 1 July 2018.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. However, the Group is in the process of making assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group’s operation and may result in changes in the Group’s accounting policies, and changes in presentation and measurement of certain items of the Group’s 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 for the period is as follows:

	Three months ended 31 December 2018 (Unaudited) HK\$'000		Six months ended 31 December 2018 (Unaudited) HK\$'000	
		2017 (Unaudited) HK\$'000		2017 (Unaudited) HK\$'000
Provision of coal mining construction engineering, mechanical equipment installation and coal production and technical services	77,328	69,019	160,901	143,228
Provision of heating supply services	2,283	2,047	2,283	2,047
Interest income from money lending services	4,400	4,549	8,215	7,873
	<u>84,011</u>	<u>75,615</u>	<u>171,399</u>	<u>153,148</u>

4. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision makers (the "CODM") for the purposes of resources 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 or services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

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

- Coal mining services – Provision of coal mine construction engineering, mechanical equipment installation and coal production and technical services
- Heating supply services – Provision of heating supply services
- Mineral products – Trading of mineral products
- Money lending – Provision of money lending services in Hong Kong and the People's Republic of China ("PRC")

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

For the six months ended 31 December 2018

	Coal mining services (Unaudited) <i>HK\$'000</i>	Heating supply services (Unaudited) <i>HK\$'000</i>	Money leading (Unaudited) <i>HK\$'000</i>	Mineral products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>160,901</u>	<u>2,283</u>	<u>8,215</u>	<u>–</u>	<u>171,399</u>
Segment results	<u>10,157</u>	<u>(34)</u>	<u>5,336</u>	<u>–</u>	<u>15,459</u>
Other income					149
Other gains and losses					(3,032)
Finance costs					(3,365)
Central administration costs					<u>(6,684)</u>
Profit before taxation					<u>2,527</u>

For the six months ended 31 December 2017

	Coal mining services (Unaudited) <i>HK\$'000</i>	Heating supply services (Unaudited) <i>HK\$'000</i>	Money leading (Unaudited) <i>HK\$'000</i>	Mineral products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>143,228</u>	<u>2,047</u>	<u>7,873</u>	<u>–</u>	<u>153,148</u>
Segment results	<u>2,188</u>	<u>1,381</u>	<u>6,497</u>	<u>–</u>	<u>10,066</u>
Other income					189
Other losses					(4,407)
Net gain on disposal of subsidiaries					(1,016)
Finance costs					(3,210)
Central administration costs					<u>(9,985)</u>
Loss before taxation					<u>(8,363)</u>

5. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value changes on held-for-trading investments	5,596	(3,140)	476	(4,407)
Fair value changes on financial assets designated at FVTPL	(3,508)	–	(3,508)	–
	<u>2,088</u>	<u>(3,140)</u>	<u>(3,032)</u>	<u>(4,407)</u>

6. PROFIT (LOSS) FOR THE PERIOD

The Group's profit (loss) for the period has been arrived at after charging:

	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,566	2,188	3,998	4,390
Amortisation of intangible assets	7,407	7,599	9,560	15,128

7. FINANCE COSTS

	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on discounted bills	–	–	92	–
Imputed interest on promissory notes	1,682	1,605	3,365	3,210
	<u>1,682</u>	<u>1,605</u>	<u>3,457</u>	<u>3,210</u>

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong	118	224	330	630
– PRC	2,633	2,755	5,592	4,331
Deferred tax credit	(1,852)	(2,284)	(2,390)	(4,380)
	<u>899</u>	<u>695</u>	<u>3,532</u>	<u>581</u>

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

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

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

9. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2018 (2017: Nil).

10. EARNING (LOSS) PER SHARE

The calculation of the basic and diluted earning (loss) per share attributable to owners of the Company is based on the following data:

	Three months ended		Six months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss)				
Profit (loss) for the purpose of basic and diluted earning (loss) per share (profit (loss) for the period attributable to owners of the Company)	<u>223</u>	<u>(5,654)</u>	<u>(1,010)</u>	<u>(9,110)</u>

	Number of Shares '000	Number of Shares '000	Number of Shares '000	Number of Shares '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earning (loss) per share	<u>7,492,562</u>	<u>6,854,562</u>	<u>7,492,562</u>	<u>6,854,562</u>

Diluted earning (loss) per share was the same as the basic earning (loss) per share as there were no potential dilutive ordinary shares outstanding for the three months and six months ended 31 December 2017 and 31 December 2018.

11. CUSTOMER CONTRACTS

	Customer contracts HK\$'000
Cost	
At 30 June 2018	322,320
Exchange realignment	<u>(12,648)</u>
At 31 December 2018	<u>309,672</u>
Accumulated amortisation and impairment losses	
At 30 June 2018	233,143
Amortisation during the period	9,560
Exchange realignment	<u>(9,142)</u>
At 31 December 2018	<u>233,561</u>
Carrying amounts	
At 31 December 2018	<u>76,111</u>
At 30 June 2018	<u>89,177</u>

12. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Trade receivables	107,969	120,062
Bills receivables	82,413	48,699
Receivables arising from dealing in listed securities	1,522	9,951
Other deposits paid	26,441	36,902
Prepayments	1,190	2,918
Other receivables	15,156	797
	<u>234,691</u>	<u>219,329</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:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
0–30 days	32,407	26,280
31–60 days	30,088	40,359
61–90 days	14,489	18,316
Over 90 days	30,985	35,107
	<u>107,969</u>	<u>120,062</u>

The Group grants a credit period of 30 days to its customers.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Trade payables	11,100	3,439
Deposits received	–	3,469
Payables for acquisition of property, plant and equipment	–	555
Accrued mining service costs	36,245	35,587
Accrued staff costs	16,250	22,711
Other tax payables	9,096	10,014
Other payables	6,412	5,722
	<u>79,103</u>	<u>81,497</u>

The average credit period on purchases is generally from 30 days extending up to 90 days for major suppliers. The following is an ageing analysis of trade payables based on the invoice date:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
0–30 days	8,395	920
31–60 days	506	393
61–90 days	18	86
Over 90 days	2,181	2,040
	<u>11,100</u>	<u>3,439</u>

14. CAPITAL COMMITMENTS

As at 31 December 2018, the Group's capital commitments are as follow:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Capital injection in respect of an investee	<u>20,493</u>	<u>21,330</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the six months ended 31 December 2018 (the “**Period**”), the Group recorded a revenue of approximately HK\$171.40 million (2017: HK\$153.15 million), representing an increase of 11.92% as compared with that of the corresponding period in 2017. The increase in revenue was mainly due to the increase in agreed price on output. The Group’s gross profit for the Period increased by 19.35% to approximately HK\$41.17 million (2017: HK\$34.50 million) and the gross profit margin increased from 22.53% to 24.02% for the Period. The increases in gross profit was in line with the increase in revenue.

During the Period, the Group recorded other income in the amount of approximately HK\$8.09 million (2017: HK\$5.69 million), principally represented the income from leasing of machinery for providing coal mining service and subsidy from government for providing heating supply services. The Group recorded a loss of approximately HK\$3.03 million (2017: HK\$4.41 million) of other gains and losses. The decrease of other gains and losses was primarily due to the decrease of loss arising on fair value changes of the listed securities (including financial assets at fair value through profit or loss and investments held for trading) held by the Group. The Group recorded administrative and other operating expenses of approximately HK\$40.24 million (2017: HK\$38.83 million) for the Period, did not materially change compared to the corresponding period in 2017. The Group recorded finance costs of approximately HK\$3.46 million (2017: HK\$3.21 million) for the Period, did not materially change compared to the corresponding period in 2017. The income tax expenses increased from HK\$0.58 million for the period ended 31 December 2017 to HK\$3.53 million for the Period which was mainly due to the increase in operating profits and decrease in deferred taxation written back.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$1.01 million (2017: HK\$9.11 million).

Provision of coal mining services

During the Period, the Group provided coal mining services to five coal mines, in which one coal mine would be suspended in January 2019 due to the intense competition. The suspended mines contributed about 6% of the revenue of this segment, the Directors consider that the suspension will not result in any material adverse impact on the operation or financial position of the Group. The major revenue of this segment comprises of service income from coal production and excavation works. During the period ended 31 December 2018, approximately 7.26 million tonnes of coal had been produced and approximately 10.19 kilometres of tunnels had been excavated by the Group.

During the Period, the Group’s provision of coal mining services recorded a revenue of approximately HK\$160.90 million (2017: HK\$143.23 million) which accounted for 93.88% of the Group’s total revenue.

Money lending business

The Group operates its money lending business through an indirectly wholly-owned subsidiary of the Company, which obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). The Group also made short term loans to third parties in the PRC through its subsidiary in Mainland China. During the Period, the revenue from loan interest income was approximately HK\$8.22 million (2017: HK\$7.87 million) which accounted for 4.79% of the Group's total revenue. The interest rate charged by the Group ranged from 7.80% to 20% per annum. The loans were unsecured, with credit terms not more than one year.

Provision for heating supply services

The Group provided the heat supply services in Tianjin City, the PRC. The services include transformation of coal-fired heating systems and provided heating to the customers. During the Period, the provision of heating supply services recorded a revenue of approximately HK\$2.28 million (2017: HK\$2.05 million) which accounted for 1.33% of the Group's total revenue. Even the provision for heating supply service recorded a gross loss of approximately HK\$1.50 million due to the high price of gas, but the Group has recognised a subsidy of HK\$3.38 million as other income. The Group recorded a minimal loss of approximately HK\$0.03 million (2017: profit of HK\$1.38 million) in this segment during the Period.

Investment in listed securities (including financial assets at fair value through profit or loss and investments held for trading)

As at 31 December 2018, the Company invested in certain securities listed in Hong Kong (including financial assets at fair value through profit or loss and investments held for trading), the fair value of financial assets at fair value through profit or loss amounted to approximately HK\$1.94 million (30 June 2018: HK\$5.45 million) and the fair value of investments held for trading amounted to approximately HK\$28.09 million (30 June 2018: HK\$24.09 million). During the Period, the Group recorded a loss on financial assets at fair value through profit or loss of approximately HK\$3.51 million (2017: nil) and a gain arising on change in fair value of held for trading investments of approximately HK\$0.48 million (2017: loss of HK\$4.41 million).

The financial assets at fair value through profit or loss represented the investment in China Green (Holdings) Limited which is principally engaged in growing, processing and sales of agricultural products.

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

Investee	Stock code	Notes	Carrying amount as at 01/07/2018 HK\$'000	Costs of acquisition during the period HK\$'000	Proceeds from disposal during the period HK\$'000	Fair value gain/(loss) during the period HK\$'000	Market Value as at 31/12/2018 HK\$'000
Best Food Holding Company Limited (“Best Food”)	1488	1	13,069	716	(1,797)	(1,604)	10,384
China New Economy Fund Limited (“CNEWECON FUND”)	80	2	1,782	–	(122)	(16)	1,644
Lai Group Holding Company Limited (“Lai Group”)	8455	3	5,160	–	(509)	(2,024)	2,627
Goal Forward Holdings Limited (“Goal Forward”)	8240	4	1,904	701	–	(144)	2,461
BOSA Technology Holdings Limited (“BOSA Tech”)	8140	5	–	1,459	–	3,455	4,914
Shing Chi Holdings Limited (“Shing Chi”)	1741	6	–	1,972	(10)	1,191	3,153
Others			<u>2,172</u>	<u>2,042</u>	<u>(925)</u>	<u>(382)</u>	<u>2,907</u>
Total			<u>24,087</u>	<u>6,890</u>	<u>(3,363)</u>	<u>476</u>	<u>28,090</u>

Notes:

- (1) The Group held 8,800,000 shares which represented approximately 0.60% of the total issued shares of Best Food as at 31 December 2018. Best Food is principally engaged in the operation of chain restaurant and manufacture and sale of handbags under various locations.

Pursuant to Best Food’s interim report for the six months ended 30 June 2018, the unaudited loss attributable to shareholders of Best Food for the six months ended 30 June 2018 was approximately RMB3.69 million and the unaudited net assets attributable to shareholders of Best Food as at 30 June 2018 was approximately RMB848.75 million. Best Food propel in full capacity the perfection of the strategic planning for the core controlling brands, and upon completion of the New Spicy Way Acquisition, the profit-contributing sources of the food and beverage segment is expected to be significantly broaden. And for investment in joint-stock brands, stringent criteria will be applied in selecting brands with distinct characteristics and that have already established a leading position in the respective categories.

The Group is optimistic about the chain restaurant market in the future. Nevertheless, the Group remained cautious about the outlook and performance of Best Food given it had been affected by the following factors: (i) the Best Food’s handbag business was adversely affected by Sino-US trade frictions; and (ii) the backdrop of the overall intensified competition in the industry and the continually weakening of the consumer sentiment in mainland China for the Best Food’s food and beverage business segment.

- (2) The Group held 13,930,000 shares which represented approximately 1.19% of the total issued shares of CNEWECON FUND as at 31 December 2018. CNEWECON FUND is principally engaged in investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of the mainland China, Hong Kong, Macau and Taiwan.

Pursuant to CNEWECON FUND's interim report for the six months ended 30 June 2018, the unaudited loss attributable to shareholders of CNEWECON FUND for the six months ended 30 June 2018 was approximately HK\$28.46 million and the unaudited net assets attributable to shareholders of CNEWECON FUND as at 30 June 2018 was approximately HK\$137.67 million.

The Group remained cautious about the outlook and performance of CNEWECON FUND given it recorded a significant operating loss.

- (3) The Group held 5,590,000 shares which represented approximately 0.70% of the total issued shares of Lai Group as at 31 December 2018. The principal activities of Lai Group and its subsidiaries are provision of interior design and fit-out services in Hong Kong.

Pursuant to Lai Group's interim report for the six months ended 30 September 2018, the unaudited profit attributable to shareholders of Lai Group for the six months ended 30 September 2018 was approximately HK\$2.00 million and the unaudited net assets attributable to shareholders of Lai Group as at 30 September 2018 was approximately HK\$52.33 million. Lai Group is of the view that the current trend in the Hong Kong property market favors its business as home owners find it increasingly difficult to afford new homes and have to resort to renovating their existing property to improve their living environment. As such, Lai Group will continue to build on the marketing and promotional strategy to increase the awareness of the brand name of Lai Group in the renovation and interior fit-out market. In view of the possible increase in market size, Lai Group continues to expand its business coverage throughout Hong Kong in order to improve its reach to more potential customers. This involves opening more branches to serve more potential customers in areas previously not covered by Lai Group. Lai Group is also aware of the rising costs of operating a business in Hong Kong, which is partly contributed by the rising property prices. Therefore, the board of Lai Group remains cautious in expanding and will continue to monitor its costs, as well as the current market trend to anticipate any downturn or changes in the current property market trend.

The Group remained cautious about the outlook and performance of Lai Group given the rising costs of operation.

- (4) The Group held 9,650,000 shares which represented approximately 0.75% of the total issued shares of Goal Forward as at 31 December 2018. Goal Forward and its subsidiaries are principally engaged in food processing and supply of vegetables, fruits and other food ingredients in Hong Kong. It supplies food ingredients to over 700 customer outlets and offers more than 1,300 types of food ingredients to its customers.

Pursuant to Goal Forward's interim report for the six months ended 30 September 2018, the unaudited profit attributable to shareholders of Goal Forward for the period ended 30 September 2018 was approximately HK\$6.18 million and the unaudited net assets attributable to shareholders of Goal Forward as at 30 September 2018 was approximately HK\$101.21 million. Goal Forward is in the course of negotiation with existing customers and potential new customers, including groups with sizeable operations, who have expressed their intentions to invite us to expand the existing supply scope or to support the development of their new outlets. In addition, with the success of exploring new sources of vegetables and fruits supplies, Goal Forward shall sustain its competitiveness within the market.

The Group is optimistic about the food processing and supply of vegetables, fruits and other food ingredients business of Goal Forward in the future.

- (5) The Group held 3,150,000 shares which represented approximately 0.39% of the total issued shares of BOSA Tech as at 31 December 2018. BOSA Tech and its subsidiaries are principally engaged in Provision of mechanical splicing services to the reinforced concrete construction industry in Hong Kong.

Pursuant to BOSA Tech's annual report for the year ended 30 June 2018, the audited loss for the year ended 30 June 2018 was approximately HK\$1.17 million and the audited net assets attributable to shareholders of BOSA Tech as at 30 June 2018 was approximately HK\$22.09 million. Pursuant to BOSA Tech's first quarter report for the three months ended 30 September 2018, the board of the directors of BOSA Tech had foreseen that the Government has implemented policies and measures to promote economic growth by developing infrastructure and public sector projects. Thus, BOSA Tech expected that, considering the positive influences of the development of infrastructure and public sector projects, BOSA Tech will grow steadily and gradually in near future.

- (6) The Group held 2,388,000 shares which represented approximately 0.30% of the total issued shares of Shing Chi as at 31 December 2018. Shing Chi is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, and alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works.

Pursuant to Shing Chi's annual report for the year ended 30 September 2018, the audited profit and total comprehensive income attributable to shareholders for the year ended 30 September 2018 was approximately HK\$9.91 million and the audited net assets attributable to shareholders of Shing Chi as at 30 September 2018 was approximately HK\$91.93 million. As supported by the government's initiatives in infrastructure development and increase in housing supply, the general outlook of the construction industry in Hong Kong is expected to stay positive. Even though the construction industry will remain under intense competition, Shing Chi is confident that it will be able to maintain its competitiveness and expand its business.

Investment in associates

The Group holds 30% equity interest in Asset Management International Limited together with its subsidiaries (the “**Asset Management Group**”). Asset Management Group engages principally in security investments. As the Group share of loss of an associate was limited to its net investment amount in the associate, the Group did not record any loss on share of results of associates during the reporting period.

Others

During the Period, the Group received a notice (the “**Notice**”) from Yue’s Tongren Pharmaceutical Technology Group Co., Ltd. (“**Yue’s Tongren**”) pursuant to which Yue’s Tongren sought to terminate the cooperation agreement between Yue’s Tongren and the Company (“**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. Anyway, 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 Agreement was expected to terminate. The Board considers that the termination of the Cooperation Agreement 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.

Outlook

The provision of coal mining services remains the major source of revenue for the Group. Even the performance of this segment was improved but it still faces the increase in production costs and the intense market competition.

There has been an increase in demand for heating system and such growing trend is expected to continue in coming years due to rapid urbanisation and the environmental regulations facilitate the process of boiler conversions from coal to natural gas in the PRC. In line with the Group’s strategy to develop its environmental friendly heating business, the Group seeks further expansion in the more profitable areas such as Beijing. The Group intends to cooperate with business partners in the relevant area, which will enable the Group to expand heat supply business by utilising the resources and strengths of each parties with an aim to expand the business scope and market share on heat supply business.

In view of 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.

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.

Use of proceeds from placings

The Company completed the placing of an aggregate of 638,000,000 Shares on 27 June 2018. The net proceeds raised from the placing were approximately HK\$30.7 million. As disclosed in the announcement dated 12 November 2018, the Company intended to apply all the net proceeds raised from the placing as general working capital of the Group. As at 31 December 2018, the Group had utilised approximately HK\$10.70 million as general working capital of the Group and the remaining balance of proceeds 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 were 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 31 December 2018, 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.

Material acquisitions and disposals

There were no material acquisitions or disposals of subsidiaries and associates of the Group during the Period.

Liquidity and financial resources

As at 31 December 2018, the Group held cash and cash equivalents of approximately HK\$105.27 million (30 June 2018: HK\$170.81 million). Net current assets amounted to approximately HK\$531.29 million (30 June 2018: HK\$528.33 million).

As at 31 December 2018, the current ratio (defined as total current assets divided by total current liabilities) was approximately 6.77 times (30 June 2018: 6.78 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.30 (30 June 2018: 0.30).

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

Pledge of assets

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

Employee information

As at 31 December 2018, there were 1,540 staff members employed by the Group.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent liabilities

As at 31 December 2018, the Group had no significant contingent liabilities.

Litigations

Save as disclosed in the annual report, there were no material updates on the litigations during the reporting period.

Event after reporting period

No significant events have occurred after the reporting period.

OTHER INFORMATION

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

As at 31 December 2018, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

To the best knowledge of the Directors, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporation.

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

As at 31 December 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 (Note 1)	Held by controlled entity	511,320,000	6.82%

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
159 Anti-Aging Health Group Ltd. (Note 1)	Beneficial owner	511,320,000	6.82%
許功明 (Note 2)	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: 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 31 December 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.

Share Options Scheme

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

Competing Interests

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

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

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

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

Audit Committee

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

The Group's unaudited condensed consolidated financial statements for the Period, has been reviewed by the Audit Committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 1 February 2019

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 (iii) four independent non-executive Directors namely, Ms. Wong Na Na, Mr. Wang Zhixiang; Ms. Feng Jibei and Mr. Chen Xier.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at <http://www.silkroadenergy.com.hk>.