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 2019

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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 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	3	**316,760**	298,164
Cost of services rendered		**(253,002)**	(238,142)
Gross profit		**63,758**	60,022
Other income	5	**19,843**	14,036
Other losses	6	**(9,131)**	(5,346)
Administrative and other operating expenses		**(65,201)**	(64,711)
Gain (loss) on disposal of subsidiaries		**175**	(1,016)
Impairment loss recognised in respect of available-for-sale investments		—	(1,897)
Impairment loss recognised in respect of amount due from an associate		**(7,510)**	(6,000)
Impairment loss recognised in respect of trade and other receivables		**(9,223)**	—
Impairment loss recognised in respect of loan receivables	11	**(6,139)**	(4,109)
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)
Finance costs		**(7,063)**	(6,854)
Loss before taxation		**(20,491)**	(92,174)
Income tax (expense) credit	7	**(9,051)**	16,841
Loss for the year	8	**(29,542)**	(75,333)
Loss for the year attributable to:			
— Owners of the Company		**(29,989)**	(75,721)
— Non-controlling interests		**447**	388
		(29,542)	(75,333)
LOSS PER SHARE	9		
Basic and diluted (HK cents per share)		**(0.40)**	(1.10)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(29,542)**	(75,333)
Other comprehensive (expense) income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(17,970)**	13,100
Reclassification of foreign currency translation reserve upon disposal of foreign operations	**(33)**	30
	(18,003)	13,130
Fair value changes on available-for-sale investments for the year	**—**	(1,897)
Reclassification adjustments of investments revaluation reserve upon impairment of available-for-sale investments	**—**	1,897
	—	—
Other comprehensive (expense) income for the year	**(18,003)**	13,130
Total comprehensive expense for the year	**(47,545)**	(62,203)
Total comprehensive (expense) income for the year attributable to:		
— Owners of the Company	**(47,991)**	(62,632)
— Non-controlling interests	**446**	429
	(47,545)	(62,203)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**26,687**	29,547
Goodwill		**—**	—
Customer contracts		**71,994**	89,177
Financial assets at fair value through other comprehensive income		**—**	—
Available-for-sale investments		**—**	5,452
Deferred tax assets		**11,108**	11,464
Interests in associates		**—**	—
Prepayments		**10,322**	—
		120,111	135,640
Current assets			
Trade, bills and other receivables	*10*	**173,857**	219,329
Loan receivables	*11*	**177,122**	162,542
Amount due from an associate		**35,490**	43,000
Financial assets at fair value through profit or loss / Held-for-trading investments		**28,662**	24,087
Cash and cash equivalents		**151,107**	170,805
		566,238	619,763
Current liabilities			
Trade and other payables	*12*	**64,589**	81,497
Income tax payables		**4,377**	9,932
		68,966	91,429
Net current assets		**497,272**	528,334
Total assets less current liabilities		**617,383**	663,974

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Promissory notes	**117,267**	111,771
Deferred tax liabilities	**17,998**	19,811
	135,265	131,582
Net assets	**482,118**	532,392
Capital and reserves		
Share capital	**374,628**	374,628
Reserves	**107,103**	157,823
Equity attributable to owners of the Company	**481,731**	532,451
Non-controlling interests	**387**	(59)
Total equity	**482,118**	532,392

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; and (iii) provision of money lending services.

The consolidated financial statements are presented in Hong Kong dollars ("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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 July 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The impact of transition to HKFRS 15 was insignificant on the accumulated losses at 1 July 2018.

The adoption of HKFRS 15 did not have material impact on the consolidated statement of profit or loss for the current year and the consolidated statement of financial position at 30 June 2019, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 July 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in accumulated losses as at 1 July 2018.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

Listed equity investments previously classified as available-for-sale ("AFS") investments carried at fair value

For AFS equity investments amounting to HK$5,452,000 carried at fair value, 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") upon its initial application of HKFRS 9. 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.

Unlisted equity investments previously classified as AFS investments carried at cost less impairment

For the unlisted equity investments carried at cost less impairment, the Group has elected for designation at FVTOCI upon its initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the other reserve, which will not be reclassified to profit or loss when they are derecognised. As at 1 July 2018, upon the initial application of HKFRS 9, the fair value of the unlisted equity investments approximate to their carrying values.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

As at 1 July 2018, an additional allowance on the Group's trade receivables of HK$3,638,000 has been recognised, thereby increasing the opening accumulated losses of HK$2,729,000, net of their related deferred tax impact of HK$909,000.

(iii) Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets upon adoption of HKFRS 9 on 1 July 2018.

	Carrying amount at 30 June 2018	Adoption of HKFRS 9 – Reclassification	Adoption of HKFRS 9 – Remeasurement	Carrying amount as at 1 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
AFS investments				
— Listed equity investments	5,452	(5,452)	—	—
— Unlisted equity investments	—	—	—	—
Held-for-trading investments				
— Listed equity investments	24,087	(24,087)	—	—
Financial assets at FVTPL				
— Listed equity investments	—	29,539	—	29,539
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	—	—
Loan and receivable (under HKAS 39) / At amortised cost (under HKFRS 9)				
— Trade, bills and other receivables	219,329	—	(3,638)	215,691
— Amount due from an associate	43,000	—	—	43,000

Except for the above, all the other financial assets and financial liabilities within the scope of HKFRS 9 are continued to be classified and measured on the same basis as they were under HKAS 39.

The table below summarises the impact of transition to HKFRS 9 on accumulated losses at 1 July 2018.

	Accumulated losses *HK$'000*
Balance as at 30 June 2018 as originally stated	(477,165)
Recognition of additional ECL	(3,638)
Tax impact	909
Balance as at 1 July 2018 as restated	(479,894)

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

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

2 Effective for annual periods beginning on or after 1 January 2020.

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

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after a date to be determined.

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

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 *Leases*. 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 is effective for the Group's annual periods beginning on 1 July 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of accumulated losses, where appropriate, and will not restate comparative information. As at 30 June 2019, the Group has non-cancellable operating lease commitments of HK$3,762,000. The Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above.

3. REVENUE

Revenue represents revenue arising on services rendered, net of sales related taxes, where applicable. An analysis of the Group's revenue for the year is as follows:

	2019	2018*
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of coal mine construction engineering, mechanical equipment installation and coal production and technical services	**294,252**	273,133
— Provision of heating supply services	**5,635**	6,268
	299,887	279,401
Revenue from other source		
— Interest income from money lending business	**16,873**	18,763
	316,760	298,164

* The amounts for the year ended 30 June 2018 were recognised under HKAS 18.

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
- Money lending — Provision of money lending services in Hong Kong and the PRC
- Heating supply services — Provision of heating supply services

Segment revenues and results

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

	Segment revenues		**Segment results**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Coal mining services	**294,252**	273,133	**6,624**	(69,033)
Money lending	**16,873**	18,763	**4,625**	8,472
Heating supply services	**5,635**	6,268	**6,064**	4,294
Total	**316,760**	298,164	**17,313**	(56,267)
Other income			**1,166**	2,092
Other losses			**(9,131)**	(5,346)
Gain (loss) on disposal of subsidiaries			**175**	(1,016)
Impairment loss recognised in respect of amount due from an associate			**(7,510)**	(6,000)
Impairment loss recognised in respect of AFS investments			**—**	(1,897)
Finance costs			**(7,063)**	(6,854)
Central administrative costs			**(15,441)**	(16,886)
Loss before taxation			**(20,491)**	(92,174)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Coal mining services	**268,132**	310,746
Money lending	**178,488**	163,097
Heating supply services	**10,346**	14,133
Total segment assets	**456,966**	487,976
Unallocated	**229,383**	267,427
Consolidated assets	**686,349**	755,403
Segment liabilities		
Coal mining services	**59,181**	77,725
Money lending	**494**	142
Heating supply services	**1,633**	122
Total segment liabilities	**61,308**	77,989
Unallocated	**142,923**	145,022
Consolidated liabilities	**204,231**	223,011

For the purposes of monitoring segment performances and allocating resources between segments:

— All assets are allocated to reportable segments other than unallocated assets (mainly comprising certain property, plant and equipment, deferred tax assets, interests in associates, financial assets at FVTOCI, financial assets at FVTPL, AFS investments, held-for-trading investments, amount due from an associate and certain other receivables and cash and cash equivalents). Goodwill is allocated to segment of coal mining services; and

— All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising deferred tax liabilities, income tax payables, promissory notes and certain other payables).

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on bank deposits	**531**	369
Government grants *(note)*	**12,994**	10,406
Leasing income from machinery	**5,683**	1,538
Sundry income	**635**	1,723
	19,843	14,036

Note:

For the years ended 30 June 2018 and 2019, the amounts represent unconditional grants from the government for subsiding the operation of a subsidiary in the PRC.

6. OTHER LOSSES

	2019	2018
	HK$'000	*HK$'000*
Fair value changes on financial assets at FVTPL / held-for-trading investments	**9,131**	5,346

7. INCOME TAX EXPENSE (CREDIT)

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	**60**	114
Over-provision in prior year	**(179)**	—
	(119)	114
PRC Enterprise Income Tax		
Current year	**8,960**	7,175
Under-provision in prior year	**1,411**	—
	10,371	7,175
Deferred tax		
Current year	**(1,201)**	(24,130)
	9,051	(16,841)

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

Subsidiaries operating in the PRC are subject 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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Employee benefits expenses:		
Directors' emoluments	**4,936**	4,864
Other staffs' salaries and allowances	**217,989**	204,775
Other staffs' retirement benefits scheme contributions	**9,203**	9,084
Other staffs' welfare	**4,089**	2,275
Total employee benefits expenses	**236,217**	220,998
Auditor's remuneration	**1,350**	1,300
Depreciation and amortisation	**27,921**	28,635
Loss on disposal of property, plant and equipment	**2,438**	—
Operating lease rentals in respect of rented premises and machineries	**4,186**	2,666

9. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (for the year attributable to owners of the Company)	**(29,989)**	(75,721)
	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,492,562**	6,859,806

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 2018 and 2019.

10. TRADE, BILLS AND OTHER RECEIVABLES

	30/6/2019	1/7/2018	30/6/2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**80,807**	120,062	120,062
Less: allowance for impairment of trade receivables	**(10,362)**	(3,638)	—
	70,445	116,424	120,062
Bills receivables	**59,463**	48,699	48,699
Receivables arising from dealing in listed securities	**1,730**	9,951	9,951
Other deposits paid	**19,884**	36,902	36,902
Prepayments	**21,700**	2,918	2,918
Other receivables, net of allowance for impairment	**10,957**	797	797
	184,179	215,691	219,329
Less: Prepayments classified as non-current assets	**(10,322)**	—	—
Current portion included in trade, bills and other receivables	**173,857**	215,691	219,329

The Group grants a credit period of 30 days to its customers. No interest is charged on overdue trade receivables. The following is an aged analysis of trade receivables, net of accumulated impairment loss, presented based on the invoice date at the end of the reporting period:

	30/6/2019	1/7/2018	30/6/2018
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	**31,944**	26,083	26,280
31–60 days	**23,914**	39,849	40,359
61–90 days	**8,385**	18,109	18,316
Over 90 days	**6,202**	32,383	35,107
	70,445	116,424	120,062

The movements in the allowance for impairment of trade receivables are set out below:

	HK$'000
At 1 July 2017 and 30 June 2018	—
Effect on adoption of HKFRS 9	3,638
At 1 July 2018, as restated	3,638
Impairment loss recognised	6,934
Exchange realignment	(210)
At 30 June 2019	10,362

11. LOAN RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Unsecured loans	**185,082**	178,460
Less: impairment losses recognised	**(7,960)**	(15,918)
	177,122	162,542

At 30 June 2019, loans to third parties with an aggregate principal and accrued interest amounting to HK$177,122,000 (2018: HK$162,542,000) are unsecured, bear fixed interest ranging from 5% to 20% (2018: 9.8% to 30%) per annum and are repayable within one year and thus classified as current assets.

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

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

	2019	2018
	HK$'000	*HK$'000*
At 1 July	**15,918**	11,809
Impairment loss recognised during the year	**6,139**	4,109
Amount written off	**(13,984)**	—
Exchange alignment	**(113)**	—
At 30 June	**7,960**	15,918

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**8,614**	3,439
Deposits received	**2,454**	3,469
Payables for acquisition of property, plant and equipment	**1,150**	555
Accrued mining service costs	**6,205**	13,683
Accrued staff costs	**32,230**	44,615
Other tax payables	**9,518**	10,014
Accrued expenses	**1,874**	2,556
Interest payable	**1,235**	1,235
Other payables	**1,309**	1,931
	64,589	81,497

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**6,501**	920
31–60 days	**628**	393
61–90 days	**61**	86
Over 90 days	**1,424**	2,040
	8,614	3,439

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the year ended 30 June 2019 (the "Year"), the Group recorded a revenue of approximately HK$316.76 million (2018: HK$298.16 million), representing an increase of 6.24% as compared with that of the corresponding year in 2018. The increase in revenue was mainly due to the increase in agreed price on output. The Group's gross profit for the Year increased by 6.23% to approximately HK$63.76 million (2018: HK$60.02 million) and the gross profit margin maintained at 20.13%.

During the Year, the Group recorded other income in the amount of approximately HK$19.84 million (2018: HK$14.04 million), principally represented income from leasing of machinery for providing coal mining service and subsidies from government for providing heating supply services. The Group recorded a loss of approximately HK$9.13 million (2018: HK$5.35 million) of other losses. The increase of other losses was primarily due to the increase of loss arising on changes in fair value 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$65.20 million (2018: HK$64.71 million) for the Year and finance costs of HK$7.06 million (2018: HK$6.85 million) for the Year. The administrative and other operating expenses and finance costs did not materially change compared to the corresponding period in 2018. The income tax credit changed from HK$16.84 million for the year ended 30 June 2018 to income tax expense of HK$9.05 million for the Year which was mainly due to the increase in operating profits and decrease in deferred taxation written back. Starting from 1 July 2018, the Group adopted the expected credit loss model under HKFRS 9 on trade and other receivables, loan receivables and amount due from an associate in determining their respective impairment losses. The Group recorded impairment losses recognised in respect of trade and other receivables, loan receivables, and amount due from an associate in the amount of HK$9.22 million (2018: Nil), HK$6.14 million (2018: 4.11 million) and HK$7.51 million (2018: 6.00 million) respectively.

In conclusion, loss attributable to owners of the Company for the Year amounted to approximately HK$29.99 million (2018: HK$75.72 million). The significant decrease in the loss during the Year was mainly due to the absence of impairment losses recognized in respect of customer contracts (2018: HK$61.66 million) and property, plant and equipment (2018: HK$12.90 million).

PROVISION OF COAL MINING SERVICES

During the Year, the Group provided coal mining services to five coal mines, in which one coal mine suspended operation in January 2019 due to the highly competitive environment. The suspended mine contributed insignificant revenues of this segment and did not result in any material adverse impact on the operation or financial position of the Group. The major revenue of this segment comprises service incomes from coal production and excavation works. During the Year, approximately 12.93 million tonnes of coal had been produced and approximately 19.56 kilometres of tunnels had been excavated by the Group.

During the Year, the Group's provision of coal mining services recorded a revenue of approximately HK$294.25 million (2018: HK$273.13 million) which accounted for 92.89% of the Group's total revenue.

TRADING OF MINERAL PRODUCTS

The Group has suspended the trading business. Accordingly, no revenue (2018: nil) was generated during the Year.

MONEY LENDING BUSINESS

The Group operates its money lending business through an indirectly wholly-owned subsidiary of the Company, which obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). The Group also made short term loans to third parties in the PRC through its subsidiaries in Mainland China. During the Year, the revenue from loan interest income was approximately HK$16.87 million (2018: HK$18.76 million) which accounted for 5.33% of the Group's total revenue. The interest rate charged by the Group ranged from 5% to 20% per annum. The loans were unsecured, with credit terms not more than one year.

PROVISION FOR HEATING SUPPLY

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 Year, the provision of heating supply services recorded a revenue of approximately HK$5.64 million (2018: HK$6.27 million) which accounted for 1.78% of the Group's total revenue. Even the provision for heating supply service recorded a gross loss of approximately HK$2.24 million due to the high price of gas, but the Group has received subsidies of HK$12.99 million from the government recognized as other income. Accordingly, the Group recorded a profit of approximately HK$6.06 million (2018: HK$4.29 million) in this segment during the Year.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (THE "FVTPL") REPRESENTING INVESTMENT IN LISTED SECURITIES IN HONG KONG

As at 30 June 2019, the fair value of financial assets at FVTPL amounted to approximately HK$28.66 million (30 June 2018: HK$29.54 million). During the Year, the Group recorded a loss on change in fair value of FVTPL of approximately HK$9.13 million (2018: HK$5.35 million).

The details of the financial assets at fair value through profit or loss are as follows:

Investee	Stock code	Carrying amount as at 01/07/2018	Costs of acquisition during the period	Proceeds from disposal during the period	Fair value gain/(loss) during the period	Market Value as at 30/06/2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Best Food Holding Company Limited	1488	13,069	716	(1,797)	(1,956)	10,032
Lai Group Holding Company Limited	8455	5,160	–	(509)	(3,309)	1,342
Goal Forward Holdings Limited	1854	1,904	701	–	(385)	2,220
Ri Ying Holdings Limited (formerly known as Shing Chi Holdings Limited)	1741	–	10,376	(1,408)	(243)	8,725
Hing Ming Holdings Limited	8425	–	2,926	(26)	(1,102)	1,798
VSTECS Holding Limited	856	–	2,076	(213)	21	1,884
China Green (Holdings) Limited	904	5,452	–	–	(3,200)	2,252
BOSA Technology Holdings Limited	8140	–	1,459	(3,256)	1,797	–
China New Economy Fund Limited	80	1,782	–	(1,248)	(534)	–
Others		2,172	3,141	(4,685)	(219)	409
Total		29,539	21,395	(13,142)	(9,130)	28,662

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. However, an impairment loss of approximately HK$7.51 million was recognized in respect of the amount from an associated company. The impairment provision is based on assumptions about ECL. In determining the ECL, the directors of the Company have taken into account the historical default experience, the financial position of the associate as well as the future prospects of the industry in which the associate operates, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default.

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. The Group has been actively pursuing new customers so as to enlarge its customer base.

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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group held cash and cash equivalents of approximately HK$151.11 million (30 June 2018: HK$170.81 million). Net current assets amounted to approximately HK$497.27 million (30 June 2018: HK$528.33 million).

As at 30 June 2019, the current ratio (defined as total current assets divided by total current liabilities) was approximately 8.21 times (2018: 6.78 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.30 (2018: 0.30).

The Group had no any bank borrowing as at 30 June 2019 (2018: Nil).

USE OF PROCEEDS FROM PLACING

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 30 June 2019, the Group had utilized all proceeds as general working capital of the Group.

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 30 June 2019, 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 2018 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 2018 and 30 June 2019, 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 DISPOSAL

During the Year, the cooperation between the Company and Yue's Tongren Pharmaceutical Technology Group Co., Ltd. ("Yue's Tongren") did not proceed. On 7 March 2019, the Group disposed Shenzhen Qianhai Yue's Health Management Company Limited (深圳前海樂氏健康管理有限公司)(the "Disposal"), a wholly owned subsidiary of the Company, which was originally intended to serve as the sole management platform for the big health business of the Company and Yue's Tongren. The consideration of the Disposal was HK$20.20 million and the transaction was completed on 8 March 2019. The Group recorded a gain of approximately HK$0.17 million from the Disposal. The net proceeds from the Disposal has been used for general working capital of the Group. For details, please refer to the Company's announcement dated 16 March 2018, 24 April 2018, 13 August 2018 and 7 March 2019.

Save as the disclosed above, there were no material acquisitions or disposals of subsidiaries and associates of the Group during the Year.

LITIGATIONS

(1) On 23 September 2014, an indirectly wholly owned subsidiary 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.

    After an investigation on the financial situations of the Defendant and the Guarantor, the Group considered that the chances of enforcement and recovery of the judgement sum is very remote and accordingly, fully written off the loan and its related provisions. No adverse financial impact to the Group is expected.

CAPITAL COMMITMENT

As at 30 June 2019, 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$20.47 million.

PLEDGE OF ASSETS

As at 30 June 2019, none of the assets of the Group were pledged as security for any banking facilities.

EMPLOYEE INFORMATION

As at 30 June 2019, there were 1,569 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 2019, the Group had no significant contingent liabilities.

DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

OTHER INFORMATION

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

As at 30 June 2019, 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 corporation.

Substantial Shareholders' interests and short positions in shares and underlying shares

As at 30 June 2019, 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%
Zhou Jiao *(Note 1)*	Held by controlled entity	511,320,000	6.82%
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: Zhou Jiao 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 Zhou Jiao.

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 30 June 2019, 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. As at the date of this announcement, the Audit Committee comprises four independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang, Ms. Feng Jibei and Mr. Chen Xier. 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, internal control procedures and risk management systems. The Audit Committee held five meetings during the Year. Two of the meetings was attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and `concerns with the auditors.

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 2019 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, 20 September 2019

As at the date of this announcement, the Board of the Company, comprises (i) six executive directors namely, Mr. Cai Da, Mr. Li Xianghong, Mr. Chen Youhua, Mr. Hu Guoan, Mr. Li Wai Hung and Mr. Wang Tong Tong; and (ii) four independent non-executive Directors namely, Ms. Wong Na Na, Mr. Wang Zhixiang; Ms. Feng Jibei and Mr. Chen Xier.