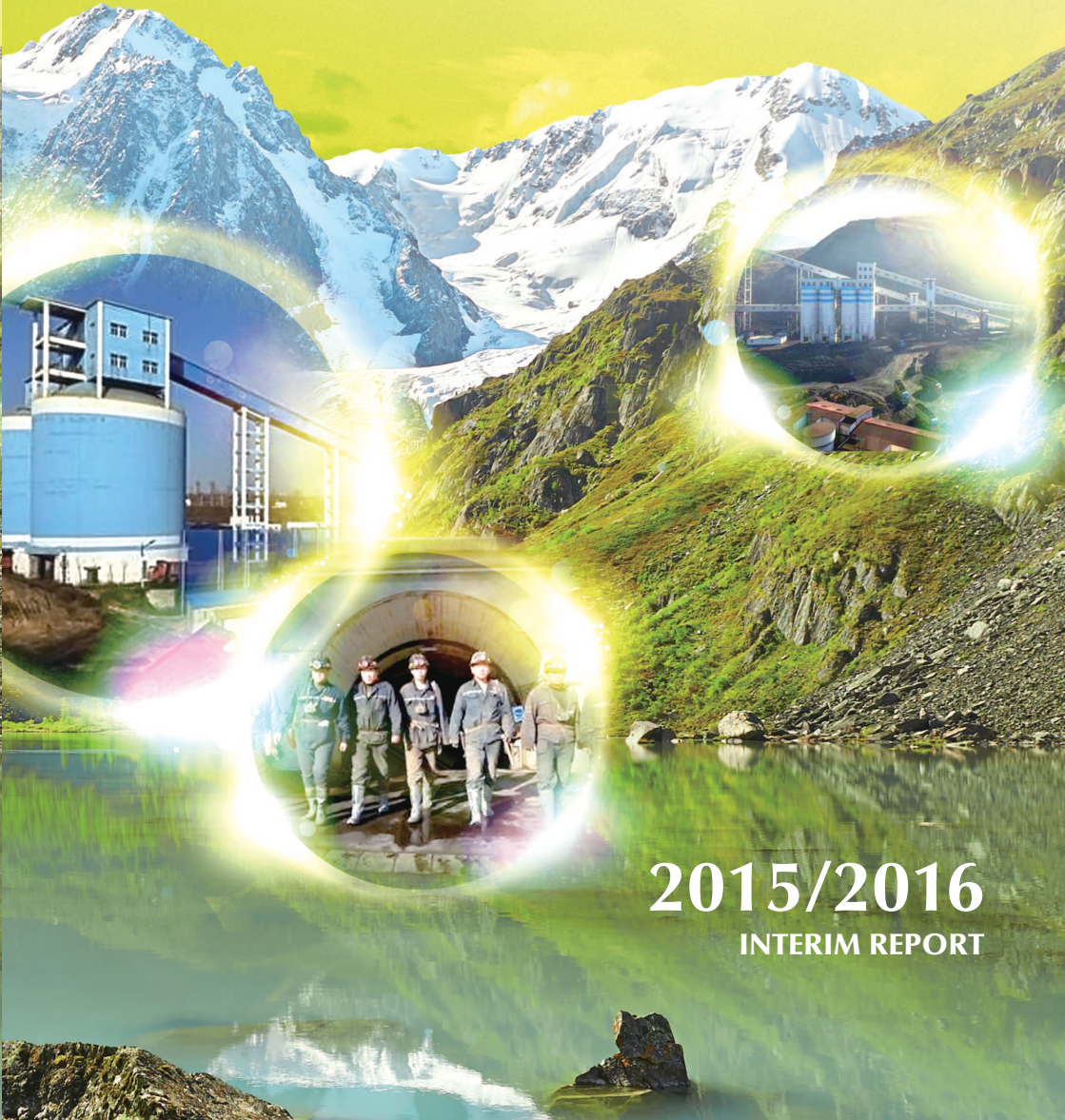




絲路能源服務集團有限公司
Silk Road Energy Services Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8250)



2015/2016
INTERIM REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Silk Road Energy Services Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Da (*Chairman*)
Mr. Hu Zhixiong
(*Chief Executive Officer*)
Mr. Chen Youhua
Mr. Li Wai Hung
Mr. Chen Liang
Mr. Guo Xiang

Independent Non-Executive Directors

Ms. Wong Na Na
Mr. Yan Shengxian
Mr. Wang Zhixiang

AUDIT COMMITTEE

Ms. Wong Na Na (*Chairman*)
Mr. Yan Shengxian
Mr. Wang Zhixiang

REMUNERATION COMMITTEE

Ms. Wong Na Na (*Chairman*)
Mr. Yan Shengxian
Mr. Wang Zhixiang

NOMINATION COMMITTEE

Ms. Wong Na Na (*Chairman*)
Mr. Yan Shengxian
Mr. Wang Zhixiang

COMPANY SECRETARY

Mr. Ngai Man Wo

AUTHORISED REPRESENTATIVES

Mr. Cai Da
Mr. Ngai Man Wo

COMPLIANCE OFFICER

Mr. Cai Da

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1903, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
43/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2015:

- Revenue from continuing operations amounted to approximately HK\$193.39 million (2014: HK\$310.22 million), representing a decrease of 37.7% as compared with that of the corresponding period in 2014. The decrease in revenue was mainly due to the fact that there was no revenue from trading of other mineral products recorded for the Period (2014: HK\$283.32 million), although a new revenue of approximately HK\$164.98 million (2014: Nil) arising from the provision of coal mining services were recorded upon the completion of the acquisition of the coal mining services business taken place on 31 July 2015.
- Loss attributable to owners of the Company for the Period was approximately HK\$59.77 million (2014: HK\$5.32 million). The increase in loss was mainly due to the share of loss of associates as the results of changing in the fair values of the listed securities held by the associated company.

As at 31 December 2015:

- The Group had cash and cash equivalents of approximately HK\$58.79 million (30 June 2015: HK\$100.88 million). Net current assets amounted to approximately HK\$273.84 million (30 June 2015: HK\$244.81 million).
- Current ratio (defined as total current assets divided by total current liabilities) was approximately 3.68 times (30 June 2015: 22.64 times). Gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.46 (30 June 2015: 0.02).

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2015 (2014: Nil).

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 2015, together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2015

Notes	Three months ended 31 December 2015		Six months ended 31 December 2015	
	(Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	(Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Continuing operations				
Revenue	3	114,689	110,219	310,218
Cost of sales and services provided		(79,246)	(102,063)	(291,853)
Gross profit		35,443	8,156	18,365
Investment and other income	5	389	47	2,005
Selling and distribution expenses		–	(37)	(118)
Administrative expenses		(16,221)	(13,730)	(27,390)
Other operating expenses		(1,977)	(4,108)	(6,098)
Amortisation of intangible assets	15	(6,491)	–	–
Gain (loss) arising on change in fair value of held-for-trading investments		5,152	(2,405)	(2,405)
Net gain on disposal of subsidiaries	11	–	13,447	13,447
Share of results of associates		(4,305)	(1,254)	(977)
Profit (loss) from operating activities	6	11,990	116	(3,171)
Finance costs	7	(2,901)	–	–
Profit (loss) before tax		9,089	116	(49,991)
Income tax expense	8	(3,551)	(92)	(796)
Profit (loss) for the period from continuing operations		5,538	24	(58,767)
Discontinued operation				
Loss for the period from discontinued operation	12	–	(384)	(1,356)
Profit (loss) for the period		5,538	(360)	(58,767)

	Three months ended 31 December		Six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
<i>Notes</i>				
Other comprehensive (expense) income for the period, net of tax				
<i>Other comprehensive (expense) income to be classified to profit or loss in subsequent periods (net of tax)</i>				
Exchange differences on translating foreign operations	(9,402)	608	(24,437)	1,629
Total comprehensive (expense) income for the period, net of tax attributable to:	(3,864)	248	(83,204)	(3,694)
Profit (loss) attributable to:				
Owners of the parent	4,539	(360)	(59,766)	(5,323)
Non-controlling interests	999	-	999	-
	5,538	(360)	(58,767)	(5,323)
Total comprehensive (expenses) income attributable to:				
Owners of the parent	(4,863)	248	(84,203)	(3,694)
Non-controlling interests	999	-	999	-
	(3,864)	248	(83,204)	(3,694)
Earnings (loss) per share				
From continuing and discontinued operations				
— Basic and diluted (HK cents per share)	0.08	(0.01)	(1.03)	(0.10)
From continuing operations				
— Basic and diluted (HK cents per share)	0.08	0.00	(1.03)	(0.08)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 and 30 June 2015

		As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		84,295	43,704
Intangible assets	15	313,066	1,229
Goodwill	16	104,009	24,313
Other non-current assets		–	76,000
Available-for-sale investments	17	–	–
Deferred tax assets		10,700	–
Interests in associates		212,333	279,103
		724,403	424,349
Current assets			
Inventories		10,637	8,570
Trade, bills and other receivables	18	181,297	24,027
Loan receivables	19	96,583	103,433
Held-for-trading investments		28,809	19,213
Cash and cash equivalents		58,788	100,878
		376,114	256,121
Current liabilities			
Trade and other payables	20	91,101	8,279
Income tax payables		11,171	3,032
		102,272	11,311

		As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Net current assets		273,842	244,810
Total assets less current liabilities		998,245	669,159
Non-current liabilities			
Deferred tax liabilities		83,112	4,026
Promissory notes	21	244,732	–
Contingent consideration payable		75,472	–
		403,316	4,026
Net assets		594,929	665,133
Capital and reserves			
Share capital	24	290,625	290,625
Reserves		286,922	374,508
Equity attributable to owners of the Company		577,547	665,133
Non-controlling interests		17,382	–
Total equity		594,929	665,133

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Unlisted warrants reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2015 (Audited)	290,625	503,759	(1,461)	3,686	-	(131,476)	665,133	-	665,133
(Loss) profit for the period	-	-	-	-	-	(59,766)	(59,766)	999	(58,767)
Exchange differences on translation of foreign operations	-	-	(24,437)	-	-	-	(24,437)	-	(24,437)
Loss and total comprehensive (expense) income for the period	-	-	(24,437)	-	-	(59,766)	(84,203)	999	(83,204)
Lapse of unlisted warrants	-	-	-	(3,686)	-	3,686	-	-	-
Additional non-controlling interests arising on partial disposal of a subsidiary (Note 10)	-	-	-	-	(3,383)	-	(3,383)	16,383	13,000
Balance at 31 December 2015 (Unaudited)	290,625	503,759	(25,898)	-	(3,383)	(187,556)	577,547	17,382	594,929

For the six months ended 31 December 2014

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Unlisted warrants reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000
Balance at 1 July 2014 (Audited)	259,625	373,745	7,122	-	(67,620)	572,872
Loss for the period	-	-	-	-	(5,323)	(5,323)
Exchange differences on translation of foreign operations	-	-	1,629	-	-	1,629
Loss and total comprehensive income for the period	-	-	1,629	-	(5,323)	(3,694)
Issue of unlisted warrants	-	-	-	9,700	-	9,700
Issue of shares upon exercise of unlisted warrants	14,000	58,716	-	(2,716)	-	70,000
Balance at 31 December 2014 (Unaudited)	273,625	432,461	8,751	6,984	(72,943)	648,878

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	Six months ended	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(9,507)	(15,265)
Net cash used in investing activities	(19,373)	(1,091)
Net cash (used in) generated from financing activities	(9,449)	79,700
Net (decrease) increase in cash and cash equivalents	(38,329)	63,344
Cash and cash equivalents at beginning of period	100,878	62,025
Effect of foreign exchange rate changes	(3,761)	(74)
Cash and cash equivalents at end of period, represented by bank balances and cash	58,788	125,295

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 are principally engaged in the (i) provision of coal mining services; (ii) processing and trading of fluorite products, (iii) trading of other mineral products, (iv) provision of advertising and public relations services and (v) 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 2015 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 used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2015 except as described below.

Financial liabilities at fair value through profit or loss (“FVTPL”)

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in a manner described in note 25 to the condensed consolidated financial statements.

3. REVENUE

The Group's revenue represents revenue arising on (i) provision of coal mining services, (ii) processing and trading of fluorite products, (iii) trading of other mineral products, (iv) provision of advertising and public relations services and (v) provision of money lending services. An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 December		Six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Continuing operations				
Provision of coal mining services	99,765	-	164,983	-
Processing and trading of fluorite products	-	-	-	7,650
Trading of other mineral products	-	99,382	-	283,315
Provision of advertising and public relations services	12,252	9,470	22,989	16,872
Provision of money lending services	2,672	1,367	5,422	2,381
	114,689	110,219	193,394	310,218

4. SEGMENT INFORMATION

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

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

- Coal mining services — Provision of coal mining services
- Fluorite products — Processing and trading of fluorite products
- Other mineral products — Trading of other mineral products
- Advertising and public relations — Provision of advertising and public relations services
- Money lending — Provision of money lending services in Hong Kong

Segment revenues and results

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

Continuing operations

For the six months ended 31 December 2015

	Coal mining services (Unaudited) HK\$'000	Fluorite products (Unaudited) HK\$'000	Other mineral products (Unaudited) HK\$'000	Advertising and public relations (Unaudited) HK\$'000	Money lending (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	164,983	-	-	22,989	5,422	193,394
Segment results	26,450	(5,532)	(2,271)	9,595	5,421	33,663
Investment and other income						176
Gain arising on change in fair value of held-for-trading investments						860
Share of results of associates						(66,770)
Finance costs						(8,310)
Central administration costs						(9,610)
Loss before taxation						(49,991)

For the six months ended 31 December 2014

	Coal mining services (Unaudited) HK\$'000	Fluorite products (Unaudited) HK\$'000	Other mineral products (Unaudited) HK\$'000	Advertising and public relations (Unaudited) HK\$'000	Money leading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	–	7,650	283,315	16,872	2,381	310,218
Segment results	–	(8,540)	(786)	4,029	2,380	(2,917)
Investment and other income						1,803
Loss arising on change in fair value of held-for-trading investments						(2,405)
Share of results of associates						(977)
Net gain on disposal of subsidiaries						13,447
Central administration costs						(12,122)
Loss before taxation						(3,171)

5. INVESTMENT AND OTHER INCOME

	Three months ended 31 December 2015 (Unaudited) HK\$'000		Six months ended 31 December 2015 (Unaudited) HK\$'000	
	2014 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000 (restated)
Continuing operations				
Interest income on bank deposits	305	31	330	79
Gain on disposal of held-for- trading investments	–	–	–	1,725
Sundry income	84	16	205	201
	389	47	535	2,005

6. PROFIT (LOSS) FROM OPERATING ACTIVITIES

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

	Three months ended 31 December 2015 (Unaudited) HK\$'000		Six months ended 31 December 2015 (Unaudited) HK\$'000	
	2014 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000 (restated)
Continuing operations				
Depreciation of property, plant and equipment	2,491	1,189	4,648	2,095
Cost of inventories sold	76,428	99,711	114,063	288,007
Amortisation of intangible assets	6,491	–	12,970	–

7. FINANCE COSTS

	Three months ended 31 December		Six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Continuing operations				
Interest expenses on bank borrowing wholly repayable within one year	163	—	172	—
Imputed interest on promissory notes	2,097	—	5,999	—
Imputed interest on contingent consideration payable	641	—	2,139	—
	2,901	—	8,310	—

8. INCOME TAX EXPENSE

	Three months ended 31 December		Six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Continuing operations				
Current profits tax:				
— Hong Kong	1,090	92	1,990	796
— People's Republic of China ("PRC")	4,262	—	10,320	—
Deferred tax credit	(1,801)	—	(3,534)	—
	3,551	92	8,776	796

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

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

Profits of the subsidiary established in Mongolia are subject to Mongolian Economic Entity Income Tax (“**EEIT**”). Under the Law of Mongolia on EEIT, the tax rate of the Mongolian subsidiary was 10% for both periods.

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

9. ACQUISITION OF SUBSIDIARIES

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

Consideration transferred

	HK\$'000
Cash	76,000
Promissory notes issued (<i>Note 21</i>)	240,000
Contingent consideration payable	73,333
	<hr/>
Total	389,333

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

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

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

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

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

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

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

where the Paid Consideration Refund Amount shall be capped at HK\$379,999,999.0

The potential undiscounted amount of the adjustment on the consideration under this arrangement is between nil and HK\$759,999,999. The fair value of the contingent consideration payable of approximately HK\$73,333,000 was estimated by the Valuer based on the assumed probability of meeting the guaranteed profits. This is a Level 3 fair value measurement.

Everbest Return Group contributed a profit of approximately HK\$19,859,000 to the Group’s result for the five months period from the date of acquisition. According to the management account of Everbest Return Group, the revenue for the period from 1 July 2015 to 31 December 2015 was approximately RMB152,425,000 and profit for the period (before amortization of customer contracts and fair value adjustments of property, plant and equipment) was approximately RMB30,043,000, the performance of Everbest Return Group did not meet the expectation was mainly due to the deferral of commencement of construction works in certain contracts.

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

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

	Fair value recognised on acquisition (Unaudited) HK\$'000
Property, plant and equipment	26,880
Customer contracts	339,592
Deferred tax assets	11,193
Trade and bills receivables	78,945
Deposits and other receivables	36,971
Cash and bank balances	1,232
Trade and other payables	(71,082)
Bank borrowing	(694)
Amount due to an ex-shareholder	(21,755)
Income tax payable	(8,533)
Deferred tax liabilities	(87,008)
	<hr/>
Net identifiable assets acquired	305,741
Goodwill arising on acquisition	83,592
	<hr/>
Fair value of consideration (<i>note</i>)	389,333
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Analysis of net cash flow of cash and cash equivalents arising on acquisition:	
Cash consideration paid	76,000
Less: cash and cash equivalents acquired	(1,232)
	<hr/>
Net cash outflow arising on acquisition	74,768
	<hr/>

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

10. PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

Material Changes in Ownership Interests in Subsidiaries without Change of Control

On 23 October 2015, the Group completed the disposal of 40% equity interest in PR ASIA Investment Holdings Limited ("**PR ASIA**"), a company incorporated in BVI with limited liability, an indirectly non-wholly owned subsidiary of the Company, at a consideration of HK\$13,000,000 from Mr. Ling Yee Fai ("**Mr. Ling**"), a connected person of the Group. Upon the completion of the transaction, the beneficial interest of the Group in PR ASIA decreased from 100% to 60%. An amount of approximately HK\$16,383,000, being the proportionate share of the carrying amount of the net assets of PR ASIA and PR ASIA Consultants Limited ("**PR ASIA Consultants**"), a wholly owned subsidiary of PR ASIA, as at the date of completion have been adjusted to the non-controlling interests. The net difference recognised by the Group between (i) the fair value of consideration received by the Group and (ii) the aggregate of the increase in non-controlling interest of approximately HK\$3,383,000 is recognised in other reserves.

11. DISPOSAL OF SUBSIDIARIES

Disposal of Vida Laboratories Limited

On 6 October 2014, the Company announced that a sale and purchase agreement (the “**S&P Agreement**”) was entered into between Ms. Hong Sin Lam and Mr. Cheong Kuok Hung, as purchasers, who are independent third parties and its connected person(s) (the “**Purchasers**”), and Island Kingdom Company Limited (“**Island Kingdom**”) (an indirect wholly-owned subsidiary of the Company), as vendor. Pursuant to the S&P Agreement, Island Kingdom has conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the entire issued share capital of Vida Laboratories Limited (“**Vida**”), a company directly wholly-owned by Island Kingdom, and entire sum of shareholder’s loan owned by Vida to Island Kingdom at a cash consideration of HK\$16,000,000. Vida is principally engaged in manufacturing and sale of generic western medicines. The disposal of Vida constituted a discloseable transaction of the Company under the GEM Listing Rules, and was completed on 5 November 2014.

	Vida
	HK\$'000
Total cash consideration	16,000
Analysis of asset and liabilities which control was lost:	
Property, plant and equipment	820
Trade receivables	482
Deposits, other receivables and prepayments	1,793
Cash and cash equivalents	48
Trade payable	(140)
Other payables	(450)
Net assets disposed of	2,553
Net gain on disposal of the subsidiaries	13,447
Net cash inflow arising on disposal:	
Cash consideration	16,000
Less: cash and cash equivalents disposed of	48
	15,952

12. DISCONTINUED OPERATION

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

	Three months ended 31 December 2015		Six months ended 31 December 2015	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period from discontinued operation				
Revenue	-	102	-	581
Cost of sales and services provided	-	(408)	-	(1,611)
Investment and other income	-	-	-	-
Selling and distribution expenses	-	-	-	-
Administrative expenses	-	(23)	-	(113)
Other operating expenses	-	(55)	-	(213)
Loss before tax	-	(384)	-	(1,356)
Income tax expense	-	-	-	-
Loss for the period from discontinued operation	-	(384)	-	(1,356)

	Three months ended 31 December 2015		Six months ended 31 December 2015	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period from discontinued operation has been arrived at after charging:				
Depreciation of property, plant and equipment	-	53	-	212
Cost of inventories sold	-	-	-	19

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cash flows from discontinued operation		
Net cash used in operating activities	–	(15,570)
Net cash generated from investing activities	–	14,952
	<hr/>	<hr/>
Net cash outflows for the period from discontinued operation	–	(618)
	<hr/>	<hr/>

13. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2015 (2014: Nil).

14. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (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	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss)				
Profit (loss) for the purpose of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	4,539	(360)	(59,766)	(5,323)
	<hr/>	<hr/>	<hr/>	<hr/>

	Number of		Number of	
	Shares		Shares	
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	5,812,502	5,268,589	5,812,502	5,230,546
	<hr/>	<hr/>	<hr/>	<hr/>

For the three months and six months period ended 31 December 2014, the diluted loss per share is same as the basic loss per share because the computation of diluted loss per share for the period ended 31 December 2014 does not assume the exercise of the Company's outstanding unlisted warrants since their exercise would result in a decrease in loss per share.

Diluted earnings (loss) per share was the same as the basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding for the three months and six months ended 31 December 2015.

From continuing operations

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

	Three months ended 31 December		Six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings (loss)				
Profit (loss) for the period attributable to owners of the Company	4,539	(360)	(59,766)	(5,323)
Less: loss for the period from discontinued operation	-	(384)	-	(1,356)
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	4,539	24	(59,766)	(3,967)

The denominators used are same as those detailed above for both basic and diluted earnings (loss) per share.

For the three months and six months period ended 31 December 2014, the diluted earnings (loss) per share is same as the basic earnings (loss) per share because the computation of diluted earnings (loss) per share for the period ended 31 December 2014 does not assume the exercise of the Company's outstanding unlisted warrants since their exercise would result in a decrease in earnings (loss) per share.

Diluted earnings (loss) per share was the same as the basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding for the three months and six months ended 31 December 2015.

From discontinued operation

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

	Three months ended 31 December 2015		Six months ended 31 December 2015	
	(Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share from discontinued operation	-	(384)	-	(1,356)

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

For the three months and six months period ended 31 December 2014, the diluted loss per share is same as the basic loss per share (three months ended 31 December 2014: loss per share of HK\$0.01 cent per share; six months ended 31 December 2014: loss per share of HK\$0.02 cent per share) because the computation of diluted loss per share for the three months and six months ended 31 December 2014 does not assume the exercise of the Company's outstanding unlisted warrants since their exercise would result in a decrease in loss per share.

15. INTANGIBLE ASSETS

The movements of intangible assets of the Group were as follows:

	Mining rights HK\$'000	Customer contracts HK\$'000	Total HK\$'000
Net carrying amount as at 1 July 2015	1,229	-	1,229
Acquired from acquisition of subsidiaries (<i>Note 9</i>)	-	339,592	339,592
Amortisation provided for the period	-	(12,970)	(12,970)
Exchange realignment	(37)	(14,748)	(14,785)
Net carrying amount as at 31 December 2015	1,192	311,874	313,066

16. GOODWILL

The movements of goodwill of the Group were as follows:

	HK\$'000
Net carrying amount as at 1 July 2015	24,313
Acquired from acquisition of subsidiaries (Note 9)	83,592
Exchange realignment	(3,896)
	<hr/>
Net carrying amount as at 31 December 2015	104,009

Goodwill with cost of HK\$26,262,000 and impairment loss of HK\$9,200,000 recognised in prior years was allocated to the PR ASIA Consultants which is engaged in the provision of public relations services. Goodwill with cost of HK\$28,751,000 and impairment loss of HK\$15,250,000 recognised in prior year was allocated to the Sino-Mongolia Fluorspar Mining Co., Limited and its subsidiary ("**Sino Mongolia Group**") which are principally engaged in the processing and trading of fluorite products segment. Goodwill with cost of approximately HK\$83,592,000 was allocated to the Everbest Return Group which are principally engaged in the coal mining services.

The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) allocated to these units are as follows:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Advertising and public relations — PR ASIA Consultants	17,062	17,062
Fluorite products — Sino-Mongolia Group	7,037	7,251
Mining services — Everbest Return Group	79,910	—
	<hr/>	
	104,009	24,313

17. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Cost of investments in unlisted equity securities (note)	23,600	23,600
Less: impairment loss recognised	(23,600)	(23,600)
	—	—

Note: The investment in unlisted equity securities is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

18. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Trade receivables	168,911	17,380
Less: Impairment loss recognised	(51,920)	(9,119)
	116,991	8,261
Bills receivables	16,112	—
Receivables arising from dealing in listed securities	2,913	38
Consideration receivable from disposal of Vida	—	1,000
Other deposits paid	21,792	1,632
Prepayments	1,965	10,169
Other receivables	21,524	2,927
	181,297	24,027

Included in trade and other receivables are debtors and bills receivables (net of allowance for bad and doubtful debts) with the following ageing analysis presented based on invoice date, which approximates the respective revenue recognition dates:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
0–30 days	63,943	5,352
31–60 days	24,077	1,881
61–90 days	14,631	414
Over 90 days	30,452	614
	133,103	8,261

The Group allows an average credit period of 30 to 60 days to its trade customers.

19. LOAN RECEIVABLES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Unsecured loan receivables	104,231	111,081
Less: Impairment loss recognised	(7,648)	(7,648)
	96,583	103,433

At 31 December 2015, loans to third parties with an aggregate principal and accrued interest amounting to approximately HK\$96,583,000 (30 June 2015: HK\$103,433,000) are unsecured, bear fixed interest ranging from 5% to 12% (30 June 2015: 5% to 12%) per annum and are repayable within one year and thus classified as current assets.

No loan receivable balance which was past due as at 31 December 2015 for which the Group has not provided for impairment loss (30 June 2015: Nil). Loan receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

Impairment loss of HK\$7,648,000 recognised during the year ended 30 June 2015 was based on estimated irrecoverable amount by reference to the creditability of the customer, past default experience and subsequent settlement.

20. TRADE AND OTHER PAYABLES

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Trade payables	9,561	4,653
Accrued salaries expenses	18,080	–
Payables for acquisition of plant and equipment	3,192	–
Interest payables	1,267	–
Other payables and accruals	59,001	3,626
	91,101	8,279

The average credit period on purchases of certain goods is 30 days. The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
0–30 days	2,053	1,665
31–60 days	1,372	49
61–90 days	1,646	8
Over 90 days	4,490	2,931
	9,561	4,653

21. PROMISSORY NOTES

During the six months ended 31 December 2015, the Company issued unsecured promissory notes to the Vendors with an aggregate principal amount of HK\$304,000,000 for part of the consideration for the acquisition of the entire equity interest of Everbest Return. The promissory notes issued during the period bear interest at 1% per annum and were repayable within five years. It was initially recognised at fair value of approximately HK\$240,000,000 with effective interest rate of 6%.

22. COMMITMENTS

Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2015 (Unaudited) HK\$'000	As at 30 June 2015 (Audited) HK\$'000
Within one year	2,747	6,643

Operating lease payments represent rentals payable by the Group for its office premises. Leases were negotiated and rentals were fixed over one to two years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

23. RELATED PARTY TRANSACTIONS

- (a) Apart from those disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following significant related party transactions based on the terms mutually agreed between the parties involved:

		For the six months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	<i>Notes</i>		
Consideration on partial disposal of interests in subsidiaries	<i>(i)</i>	13,000	–
Dividends to ex-shareholders	<i>(ii)</i>	16,467	–
Rental paid/payable to a related party	<i>(iii)</i>	2,012	1,562

Notes:

- (i) On 3 June 2015, Chemosino International Limited (“**Chemosino**”), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Mr. Ling, pursuant to which Chemosino conditionally agreed to sell, and Mr. Ling conditionally agreed to acquire, the 40% of the issued share capital of PR ASIA at a total consideration of HK\$13,000,000 and was completed on 23 October 2015 (Note 10). Details of the disposal have been set out in the Company’s announcement made on 3 June 2015 and circular dated 25 September 2015.

- (ii) On 30 October 2015, pursuant to the terms of the SPA in relation to the acquisition of Everbest Return, an amount of approximately HK\$16,467,000 (representing the entire amount of the retained profits of the Everbest Return Group as at 30 June 2015) was declared as dividend to the Vendors. Details of the dividend declaration have been set out in the Company's announcement made on 30 October 2015.
- (iii) Rental fee for the use and lease of office premises of the Group was paid/payable to a related party who is a family member of the ultimate beneficial owner of the substantial shareholder of the Company. The transaction constituted continuing connected transaction as defined in the GEM Listing Rules.

24. SHARE CAPITAL

	Number of shares	Share Capital HK\$'000
Authorised		
As at 30 June 2015, 1 July 2015 and 31 December 2015, ordinary share of HK\$0.05 each	30,000,000,000	1,500,000
Issued and fully paid		
As at 30 June 2015, 1 July 2015 and 31 December 2015, ordinary share of HK\$0.05 each	5,812,502,338	290,625

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

Level 1	—	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<i>Financial asset at fair value through profit or loss</i>				
Held-for-trading investments	28,809	–	–	28,909
<i>Financial liabilities</i>				
Promissory notes	–	–	244,732	244,732
Contingent consideration payable	–	–	75,472	75,472
Total	–	–	320,204	320,204

	Fair value measurement as at 30 June 2015 using			
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	Total (Audited) HK\$'000
<i>Financial asset at fair value through profit or loss</i>				
Held-for-trading investments	19,213	–	–	19,213

There were no transfers between levels of fair value hierarchy in the current and prior years.

Fair value of financial instruments that is measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instrument	Fair value hierarchy	Fair value as at 31/12/2015 (Unaudited) HK\$'000	Fair value as at 30/6/2015 (Audited) HK\$'000	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Held-for-trading investments	Level 1	28,809	19,213	Quoted bid prices in active market	N/A	N/A	N/A
Contingent consideration payable	Level 3	75,472	N/A	Income Approach	1. Expected income based on management's view 2. Discount rate	1. Assumed probabilities range from 5% to 50% 2. 6%–7%	1. Fair value increases with expected income 2. Fair value increases with discount rate applied to the issued promissory notes, and decreases with discount rate applied to the unissued promissory notes

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the expected income was 5% higher/lower while all other variables were held constant, the carrying amount of the contingent consideration payable would increase/decrease by HK\$19,467,000. If the discount rate was 5% higher/lower while all other variables were held constant, the carrying amount of the contingent consideration payable would decrease/increase by HK\$2,226,000.

Reconciliation of Level 3 fair value measurements of the financial liability on recurring basis:

	Contingent consideration payable HK\$'000
As at 30 June 2015	–
Addition through acquisition of subsidiaries	73,333
Imputed interest recognised	2,139
	<hr/>
As at 31 December 2015	75,472
	<hr/>

Fair value of financial instruments that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

	As at 31 December 2015		As at 30 June 2015	
	Carrying amount (Unaudited) HK\$'000	Fair value (Unaudited) HK\$'000	Carrying amount (Audited) HK\$'000	Fair value (Audited) HK\$'000
Financial liability				
Promissory notes	244,732	244,732	N/A	N/A

The valuation of promissory notes is under Level 3 hierarchy. The valuation technique and key inputs used in arriving the fair values of the promissory notes are disclosed in note 9 to the condensed consolidated financial statements.

26. COMPARATIVE FIGURES

As a result of the establishment of money lending business segment set out in note 4 and discontinued operation as set out in note 12, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the six months ended 31 December 2015 (the “**Period**”), the Group recorded a revenue of approximately HK\$193.39 million (2014: HK\$310.22 million), representing a decrease of 37.7% as compared with that of the corresponding period in 2014. The decrease in revenue was mainly due to the fact that there was no revenue from trading of other mineral products recorded for the Period (2014: HK\$283.32 million), although a new revenue of approximately HK\$164.98 million (2014:Nil) arising from the provision of coal mining services were recorded upon the completion of the acquisition of the coal mining services business taken place on 31 July 2015. The gross profit for the Period was approximately HK\$74.85 million (2014: HK\$18.37 million), representing an increase of 307.6% as compared with that of the corresponding period last year. The significant increase in gross profit was mainly due to the change of the revenue mix of the Group as the provision of coal mining services business recorded a much higher gross profit margin than the trading business.

Loss attributable to owners of the Company for the Period was approximately HK\$59.77 million (2014: HK\$5.32 million). The increase in loss was mainly due to the share of loss of associates as the results of changing in the fair values of the listed securities held by the associated company.

Provision of Coal Mining Services

During the Period, the Group has diversified into the business of provision of coal mining services upon the completion of acquisition of Everbest Return Group on 31 July 2015. Following completion, Everbest Return Group became subsidiary of the Company and accordingly, the results of it were consolidated into the Group’s accounts from 1 August 2015. Everbest Return Group is principally engaged in the provision of mine construction engineering, mechanical equipment installation and coal production and technical services in PRC.

Everbest Return Group provided coal mining services to seven coal mines during the Period under the terms of the respective management contracts signed between Everbest Return Group and the mine owners. The major revenue of Everbest Return Group composes of service incomes from coal production and excavation works. During the five months ended 31 December 2015, approximately 5.24 million tonnes of coal had been produced and approximately 18.5 kilometres of tunnels had been excavated by Everbest Return Group.

During the Period, the Group's provision of coal mining services recorded a revenue of approximately HK\$164.98 million, which accounted for 85.3% of the Group's total revenue, and contributed a profit before taxation of approximately HK\$26.45 million. The performance of Everbest Return Group did not meet the expectation was mainly due to the deferral of commencement of construction works in certain contracts which is depending on the market conditions of coal industry.

Fluorite Processing and Trading Business

The Group owns a fluorite powder processing factory and holds two mining licenses in respect of two fluorite mines located in Mongolia. The Group suspended the operations of this business segment due to the continuing decrease in the market prices of fluorite products in the past few years. As a result, no revenue (2014: HK\$7.65 million) was generated and a loss before taxation of approximately HK\$5.53 million (2014: HK\$8.54 million) was recorded from the fluorite processing and trading business during the Period. The decrease in loss is mainly due to the Group imposed costs control measures.

The Group is currently review, with the support of a competent and experienced team in mining industry, the probabilities to exploit one of the mines in Mongolia in the coming year. The commencement of operations of fluorite processing and trading business is depending on the then market conditions of fluorite products.

Trading of Other Mineral Products

The Group operated its trading of other mineral products (other than fluorites products) in the PRC, mainly zinc and aluminum ingots since the first quarter of 2014. Although the trading of other mineral products had contributed substantially to the Group's total revenue during the corresponding period in 2014, the gross profit margin of the trading business is low because of the unfavorable market conditions. In addition, there are no significant signs of recovery in the market. Therefore, the management reallocated the resources of the Group to other businesses with higher profit margin. As a result, no revenue (2014: HK\$283.32 million) was generated and a loss before taxation of approximately HK\$2.27 million (2014: HK\$0.79 million) was recorded from the trading of other mineral products during the Period.

Advertising and Public Relations Business

The Group provided advertising and public relations services through PR ASIA Consultants, a company incorporated in Hong Kong with limited liability. PR ASIA Consultants offers strategic consulting services in corporate communications, media relations, investor relations, issue/crisis management, media training and event management to a wide range of listed and non-listed companies in both Hong Kong and China.

On 3 June 2015, the Group, as vendor, entered into a sales and purchase agreement with Mr. Ling, as purchaser, pursuant to which the Group conditionally agreed to sell, and Mr. Ling conditionally agreed to acquire, 40% of the equity interests of PR ASIA, at a total consideration of HK\$13 million. Following the completion of the disposal in October 2015, PR ASIA remained as a subsidiary of the Company and accordingly, its result was continued to consolidate into the Group's accounts. Details of the disposal transaction are set out in the Company's announcements dated 3 June 2015 and 23 October 2015 and the circular of the Company dated 25 September 2015.

During the Period, the advertising and public relations services contributed the revenue of approximately HK\$22.99 million (2014: HK\$16.87 million), which accounted for 11.9% of the Group's total revenue for the Period, and a profit before taxation of approximately HK\$9.60 million (2014: HK\$4.03 million). The advertising and public relations services continued to contribute stable source of income to the Group. The management plans to diversify its business into new segment such as undertaking IPO projects. Thanks to the closer economic tie between the Mainland and Hong Kong, the local financial market has seen a rapid pace of development that drives the business of PR ASIA Consultants and improved its performance.

Money Lending Business

The Group holds a money lenders license under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong) since 2014. During the Period, the loan interests income recorded the revenue of approximately HK\$5.42 million (2014: HK\$2.38 million), which accounted for 2.8% of the Group's total revenue and a profit before taxation of approximately HK\$5.42 million (2014: HK\$2.38 million). The increase in profit was mainly due to the Group allocate more resources to this segment in the current period. The interest rate charged by the Group ranged from 5% to 12% per annum. The loans were unsecured, with credit terms ranging from six months to one year.

Investment in Held-for-trading Securities

The Company had held-for-trading investment in certain listed securities in Hong Kong, the market value amounted to approximately HK\$28.81 million as at 31 December 2015 (30 June 2015: HK\$19.21 million). During the Period, a gain arising on change in fair value of the listed securities of approximately HK\$0.86 million (2014: loss of HK\$2.4 million) was recorded. The investment in the listed securities is also one of the Group's treasury policies to make use of certain surplus funds retained by the Group.

Investment in Associates

The Group holds 40% equity interest in Asset Management International Limited (formerly known as TH Property Holding Management Limited) (together with its subsidiaries, the “**Asset Management Group**”). Asset Management Group engages principally in property and security investments. During the Period, the Group recorded a share of loss of approximately HK\$66.77 million from the investment in Asset Management Group, which was mainly due to the change in the fair values of the listed securities held by Asset Management Group.

Outlook

Upon the completion of acquisition of Everbest Return Group, it will steer the Group towards becoming an integrated natural resources related services provider by further developing its natural resources value chain through vertical integration by virtue of (i) expanding the Group’s current down-stream business of mineral products trading by offering to customers the mid-stream services provided by Everbest Return Group, being mining construction engineering and related services; (ii) enhancing the service offering to the customers of Everbest Return Group through the provision of down-stream mineral products trading services; and (iii) bringing in-house a competent team for the provision of mining construction engineering and related services. The management believes that the diversification into the natural resources related business will not only broadening the income base of the Group, but also increasing the shareholders’ value in the long run.

Looking ahead, the coal industry is affected by various factors such as the slowdown in domestic macro-economic growth, control of total energy consumption and optimization of energy structure, there was a sustained oversupply in the coal industry, resulting in descending coal price. To cope with the challenging operating environment of the industry, the mine owners may impose strictly costs control measures and demand for a lower contract price in the renewal of management contracts between them and the Group. This may affect the future performance of the segment of provision of coal mining services.

In view of the fluctuation in the prices of mineral products, the Group will pay close attention to the changes in the macroeconomic situation and carry out the trading business in a cautious manner.

The Group considers that the prospects for the natural resources related business remains positive in the long run although the expected economic growth in the global market needs time to recover. The Group will continue to look for potential investment opportunities in the natural resources related business, as well as other businesses with the aim of ensuring profitability and long term growth.

On the other hand, the Group is cautiously optimistic on the advertising and public relations business. This business is driven by the long-term economic growth potential between China and Hong Kong as well as the opportunities brought by the Mainland-Hong Kong Stock Connect. The expanding client base from PR ASIA enables the Group to maintain a stable income source in the future.

Liquidity and Financial Resources

As at 31 December 2015, the Group held cash and cash equivalents of approximately HK\$58.79 million (30 June 2015: HK\$100.88 million). Net current assets amounted to approximately HK\$273.84 million (30 June 2015: HK\$244.81 million).

As at 31 December 2015, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.68 times (30 June 2015: 22.64 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.46 (30 June 2015: 0.02).

The Group had no bank borrowings as at 31 December 2015 (30 June 2015: Nil).

Share Capital

As at 1 July 2015 and 31 December 2015, 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 2015 and 31 December 2015, the issued share capital of the Company was approximately HK\$290,625,000 divided into 5,812,502,338 Shares.

Unlisted Warrants

On 5 September 2014, an aggregate of 1,000,000,000 unlisted warrants was fully placed and issued to not fewer than six placees at the issue price of HK\$0.01 per warrant in accordance with the terms and conditions of the placing agreement entered into between the Company and Kingston Securities Limited. The holders of the unlisted warrants shall have the rights to subscribe for up to 1,000,000,000 Shares in aggregate at an initial subscription price of HK\$0.25 per warrant share, within one year from the date of issue. Upon the exercise in full of the subscription rights attaching to the unlisted warrants, 1,000,000,000 new Shares would be allotted and issued by the Company. There was a total of 620,000,000 Shares being issued upon the exercise of the subscription rights attaching to the unlisted warrants by its holders during the year ended 30 June 2015 and a total of 380,000,000 unlisted warrants expired on 4 September 2015, being one year from the date of issue. No unlisted warrants were exercised by its holders during the Period.

Exchange Exposure

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

Material Acquisitions and Disposals

- (1) On 2 April 2015, Million Nature, as purchaser, entered into SPA with Mr. Hu Zhixiong (a connected person of the Company) and Ms. Fan Aixian, as Vendors. Pursuant to the agreement, the vendors have conditionally agreed to sell and the purchaser has conditionally agreed to acquire the entire issued share capital of Everbest Return. The acquisition was completed on 31 July 2015. Details of the acquisition transaction are set out in the Company's circular dated 30 June 2015.

- (2) On 3 June 2015, the Group, as vendor, entered into a sales and purchase agreement with Mr. Ling, as purchaser, pursuant to which the Group conditionally agreed to sell, and Mr. Ling conditionally agreed to acquire, 40% of the equity interests of PR ASIA. The disposal was completed on 23 October 2015. Details of the disposal transaction are set out in the Company's announcements dated 3 June 2015 and 23 October 2015 and the circular of the Company dated 25 September 2015.

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

Capital Commitment

As at 31 December 2015, the Group had no significant capital commitment (30 June 2015: Nil).

Pledge of Assets

As at 31 December 2015, none of the assets of the Group were pledged as security for any banking facilities (30 June 2015: Nil).

Employee Information

As at 31 December 2015, there were 1,678 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 2015, the Group had no significant contingent liabilities (30 June 2015: Nil).

Litigations

- (1) During 2013 and 2014, a customer of Tai Pu (an indirect wholly owned subsidiary of Everbest Return Group), failed to pay its service fees to Tai Pu on time pursuant to the contracts executed on 1 January 2012 and 1 May 2012 with respect to the provision of coal mining services and mine construction engineering services (collectively, the “**Service Contracts**”). Tai Pu has filed a claim against the customer in 內蒙古自治區鄂爾多斯市中級人民法院 on 23 September 2014 (Inner Mongolia Ordos City Intermediate People’s Court) (the “**Ordos City Intermediate People’s Court**”) for the breach of the Service Contracts. Tai Pu had fully recognised impairment loss on trade receivables due from the customer of approximately RMB35.9 million during the year ended 31 December 2014. The Ordos City Intermediate People’s Court has rendered its decision pursuant to which, inter alia, the customer shall pay Tai Pu (i) approximately RMB41.6 million as damages for the failure to pay the Service Contracts service fees; and (ii) RMB1 million as damages for breach of the Service Contracts. As at 31 December 2015, Tai Pu has not received the said judgement sum. In view of the financial situation of the customer, the Group considered that the recovery of the judgement sum is unlikely. As the financial impacts had been fully reflected in previous year’s account of Tai Pu, no material financial impacts were expected.
- (2) Since 9 August 2013, the Group, as the lender, entered 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 Defendants failed to repay the principal of HK\$7.5 million and outstanding interest of HK\$187,500. Therefore, the Group was filed the writ of summons to the High Court on 13 January 2016. Under the writ, the Group claimed against the Defendant and the Guarantor for (1) a sum of HK\$7.5 million, (2) interest of HK\$187,500 (3) default interest from 9 August 2015 on the outstanding loan principal of HK\$7.5 million at the rate of 2% per calendar month until full payment has received, and (4) costs.

As the outstanding principal and interest amounting approximately HK\$7.69 million was almost fully impaired during the year ended 30 June 2015, no material adverse financial impacts were expected.

OTHER INFORMATION

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

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company (the "**Chief Executives**") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares of HK\$0.05 each of the Company

Name of Directors	Capacity	Number of Shares Held	Percentage of Shares in issue (Approximate)
Mr. Hu Zhixiong	Beneficial owner	38,400,000	0.66%
	Held by controlled entity (<i>Note</i>)	1,300,000,000	22.37%

Note: The shares are held by Tai Pu Mining International Co., Ltd, whereas Tai Pu Mining International Co., Ltd is a company incorporated in BVI, which is wholly and beneficially owned by Mr. Hu Zhixiong.

Save as disclosed above, as at 31 December 2015, 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

Save as disclosed under the section heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2015, so far as is known to the Directors and the Chief Executives, no persons or corporations (other than the interests of the Directors and the Chief Executives as disclosed above) have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Directors' Interests in Contracts of Significance

Save as the information disclosed in Note 23 (Related party transactions) to the condensed consolidated financial statements, no contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

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 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. The Audit Committee comprises three independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Yan Shengxian and Mr. Wang Zhixiang.

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.

Change in Information of Director

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors since the date of first quarter report of the Company for the three months ended 30 September 2015 are set out below:

Name of Director	Details of Change
Ms. Wong Na Na	Appointed as the chairman of Audit Committee with effect from 18 November 2015
Mr. Wang Zhixiang	Appointed as the member of each of the Audit Committee, remuneration committee and nomination committee of the Company with effect from 18 November 2015
Mr. Chi Chi Hung, Kenneth	Retired as an independent non-executive Director and ceased to be the chairman of the Audit Committee, member of remuneration committee and nomination committee of the Company with effect from 18 November 2015
Mr. Chen Youhua	Appointed as the executive director of Chun Sing Engineering Holdings Limited (Stock code: 2277) with effect from 1 February 2016

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

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

Hong Kong, 5 February 2016

As at the date of this report, the board of Directors comprises (i) six executive Directors namely, Mr. Cai Da, Mr. Hu Zhixiong, Mr. Chen Youhua, Mr. Li Wai Hung, Mr. Chen Liang and Mr. Guo Xiang; and (ii) three independent non-executive Directors namely, Ms. Wong Na Na, Mr. Yan Shengxian and Mr. Wang Zhixiang.