



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
THIRD QUARTERLY REPORT

FINANCIAL HIGHLIGHTS

For the nine months ended 31 March 2016:

- Revenue from continuing operations amounted to approximately HK\$261.62 million (2015: HK\$321.27 million), representing a decrease of 18.57% as compared with that of the corresponding period in 2015. 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 (2015: HK\$284.59 million), although a new revenue of approximately HK\$220.91 million (2015: 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\$86.60 million (2015: HK\$10.57 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.

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2016 (2015: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company announces herewith the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 March 2016, together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2016

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)
Continuing operations					
Revenue	3	68,226	11,053	261,620	321,271
Cost of sales and services provided		(41,021)	(1,462)	(159,567)	(293,315)
Gross profit		27,205	9,591	102,053	27,956
Investment and other income	4	291	290	826	2,295
Selling and distribution expenses		–	–	–	(118)
Administrative expenses		(14,395)	(11,808)	(46,136)	(39,198)
Other operating expenses		(5,426)	(5,125)	(11,869)	(11,223)
Amortisation of intangible assets		(7,654)	–	(20,624)	–
Loss (gain) arising on change in fair value of held-for-trading investments		(5,602)	3,744	(4,742)	1,339
Net gain on disposal of subsidiaries	9	–	–	–	13,447
Share of results of associates		(14,020)	(1,478)	(80,790)	(2,455)
Loss from operating activities		(19,601)	(4,786)	(61,282)	(7,957)
Finance costs	6	(4,889)	–	(13,199)	–
Loss before tax	5	(24,490)	(4,786)	(74,481)	(7,957)
Income tax expense	7	(1,744)	(463)	(10,520)	(1,259)
Loss for the period from continuing operations		(26,234)	(5,249)	(85,001)	(9,216)
Discontinued operation					
Loss for the period from discontinued operation	10	–	–	–	(1,356)

Notes	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Loss for the period	(26,234)	(5,249)	(85,001)	(10,572)
Other comprehensive income (expense) for the period, net of tax				
<i>Other comprehensive income (expense) to be classified to profit or loss in subsequent periods (net of tax)</i>				
Exchange differences on translating foreign operations	6,038	3,038	(18,399)	4,667
Total comprehensive expense for the period, net of tax attributable to:	(20,196)	(2,211)	(103,400)	(5,905)
Loss attributable to:				
Owners of the parent	(26,832)	(5,249)	(86,598)	(10,572)
Non-controlling interests	598	–	1,597	–
	(26,234)	(5,249)	(85,001)	(10,572)
Total comprehensive expenses attributable to:				
Owners of the parent	(20,794)	(2,211)	(104,997)	(5,905)
Non-controlling interests	598	–	1,597	–
	(20,196)	(2,211)	(103,400)	(5,905)
Loss per share				
From continuing and discontinued operations				
— Basic and diluted (HK cents per share)	(0.46)	(0.09)	(1.49)	(0.20)
From continuing operations				
— Basic and diluted (HK cents per share)	(0.46)	(0.09)	(1.49)	(0.17)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2016

	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 for the period	-	-	-	-	-	(86,598)	(86,598)	1,597	(85,001)
Exchange differences on translation of foreign operations	-	-	(18,399)	-	-	-	(18,399)	-	(18,399)
Loss and total comprehensive expense for the period	-	-	(18,399)	-	-	(86,598)	(104,997)	1,597	(103,400)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(6,000)	(6,000)
Lapse of unlisted warrants	-	-	-	(3,686)	-	3,686	-	-	-
Additional non-controlling interests arising on partial disposal of a subsidiary (Note 8)	-	-	-	-	(3,383)	-	(3,383)	16,383	13,000
Balance at 31 March 2016 (Unaudited)	290,625	503,759	(19,860)	-	(3,383)	(214,388)	556,753	11,980	568,733

For the nine months ended 31 March 2015

	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	–	–	–	–	(10,572)	(10,572)
Exchange differences on translation of foreign operations	–	–	4,667	–	–	4,667
Loss and total comprehensive income for the period	–	–	4,667	–	(10,572)	(5,905)
Issue of unlisted warrants	–	–	–	9,700	–	9,700
Issue of shares upon exercise of unlisted warrants	30,000	125,820	–	(5,820)	–	150,000
Balance at 31 March 2015 (Unaudited)	289,625	499,565	11,789	3,880	(78,192)	726,667

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

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

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

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

The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2015.

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 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)
Continuing operations				
Provision of coal mining services	55,923	–	220,906	–
Processing and trading of fluorite products	–	–	–	7,650
Trading of other mineral products	–	1,273	–	284,588
Provision of advertising and public relations services	9,301	8,143	32,290	25,015
Provision of money lending services	3,002	1,637	8,424	4,018
	68,226	11,053	261,620	321,271

4. INVESTMENT AND OTHER INCOME

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)
Interest income on bank deposits	16	268	346	347
Gain on disposal of held-for-trading investments	–	–	–	1,725
Sundry income	275	22	480	223
	291	290	826	2,295

5. LOSS FROM OPERATING ACTIVITIES

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

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)
Depreciation of property, plant and equipment	2,562	1,087	7,210	3,182
Cost of inventories sold	39,862	1,346	153,925	289,353
Amortisation of intangible assets	7,654	–	20,624	–

6. FINANCE COSTS

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)
Continuing operations				
Interest expenses on bank borrowing wholly repayable within one year	6	–	178	–
Imputed interest on promissory notes	3,600	–	9,599	–
Imputed interest on contingent consideration payable	1,283	–	3,422	–
	4,889	–	13,199	–

7. INCOME TAX EXPENSE

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (restated)
Current profits tax:				
— Hong Kong	579	463	2,569	1,259
— People's Republic of China ("PRC")	3,228	—	13,548	—
Deferred tax credit	(2,063)	—	(5,597)	—
	1,744	463	10,520	1,259

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 ("EET"). Under the law of Mongolia EET, the tax rate of the Mongolian subsidiary was 10% for both periods.

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

8. 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 the British Virgin Islands ("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.

9. 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, each of whom is an individual who is a third party independent of the Company 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

10. DISCONTINUED OPERATION

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

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss for the period from discontinued operation				
Revenue	-	-	-	581
Cost of sales and services provided	-	-	-	(1,611)
Investment and other income	-	-	-	-
Selling and distribution expenses	-	-	-	-
Administrative expenses	-	-	-	(113)
Other operating expenses	-	-	-	(213)
Loss before tax	-	-	-	(1,356)
Income tax expense	-	-	-	-
Loss for the period from discontinued operation	-	-	-	(1,356)

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss for the period from discontinued operation has been arrived at after charging:				
Depreciation of property, plant and equipment	-	-	-	212
Cost of inventories sold	-	-	-	19

11. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2016 (2015: Nil).

12. LOSS PER SHARE

From continuing and discontinued operations

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

	Three months ended 31 March		Nine months ended 31 March	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	(26,832)	(5,249)	(86,598)	(10,572)
	Number of Shares '000	Number of Shares '000	Number of Shares '000	Number of Shares '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	5,812,502	5,935,881	5,812,502	5,612,568

For the three months and nine months period ended 31 March 2015, 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 March 2015 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 loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2016.

From continuing operations

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

	Three months ended 31 March		Nine months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss				
Loss for the period attributable to owners of the Company	(26,832)	(5,249)	(86,598)	(10,572)
Less: loss for the period from discontinued operation	-	-	-	(1,356)
Loss for the purpose of basic and diluted loss per share from continuing operations	(26,832)	(5,249)	(86,598)	(9,216)

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

For the three months and nine months period ended 31 March 2015, 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 March 2015 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 loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2016.

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 March		Nine months ended 31 March	
2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000

Loss

Loss for the purpose of basic and diluted loss per share from discontinued operation	-	-	-	(1,356)
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The denominator used are the same as those above for both basic and diluted loss per share.

For the nine months period ended 31 March 2015, the diluted loss per share is same as the basic loss per share (HK\$0.03 cent per share) because the computation of diluted loss per share for the nine months ended 31 March 2015 does not assume the exercise of the Company's outstanding unlisted warrants since their exercise would result in a decrease in loss per share.

13. COMPARATIVE FIGURES

As a result of the establishment of money lending business segment and discontinued operation as set out in note 10, 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 nine months ended 31 March 2016 (the "Period"), the Group recorded a revenue of approximately HK\$261.62 million (2015: HK\$321.27 million), representing a decrease of 18.57% as compared with that of the corresponding period in 2015. 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 (2015: HK\$284.59 million), although a new revenue of approximately HK\$220.91 million (2015: 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\$102.05 million (2015: HK\$27.96 million), representing an increase of approximately 265% 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\$86.60 million (2015: HK\$10.57 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 the entire issued share capital of Everbest Return Limited ("Everbest Return"), a company incorporated in the BVI with limited liability, and its subsidiaries ("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 eight months ended 31 March 2016, approximately 8.87 million tonnes of coal had been produced and approximately 28.8 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\$220.91 million, which accounted for 84.5% of the Group's total revenue. The performance of Everbest Return Group did not meet the expectation was mainly due to the unfavourable 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 has temporarily 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 (2015: HK\$7.65 million) was generated from the fluorite processing and trading business during the Period.

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 2015. Although the trading of other mineral products had contributed substantially to the Group's total revenue during the corresponding period in 2015, the gross profit margin of the trading business is low because of the unfavorable market conditions. Since the Group has temporarily suspended the trading business, accordingly, no revenue (2015: HK\$284.59 million) was generated 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 wholly owned subsidiary of PR ASIA and 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\$32.29 million (2015: HK\$25.02 million), which accounted for 12.3% of the Group's total revenue for the Period. 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 revenue of approximately HK\$8.42 million (2015: HK\$4.02 million), which accounted for 3.2% of the Group's total revenue. 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

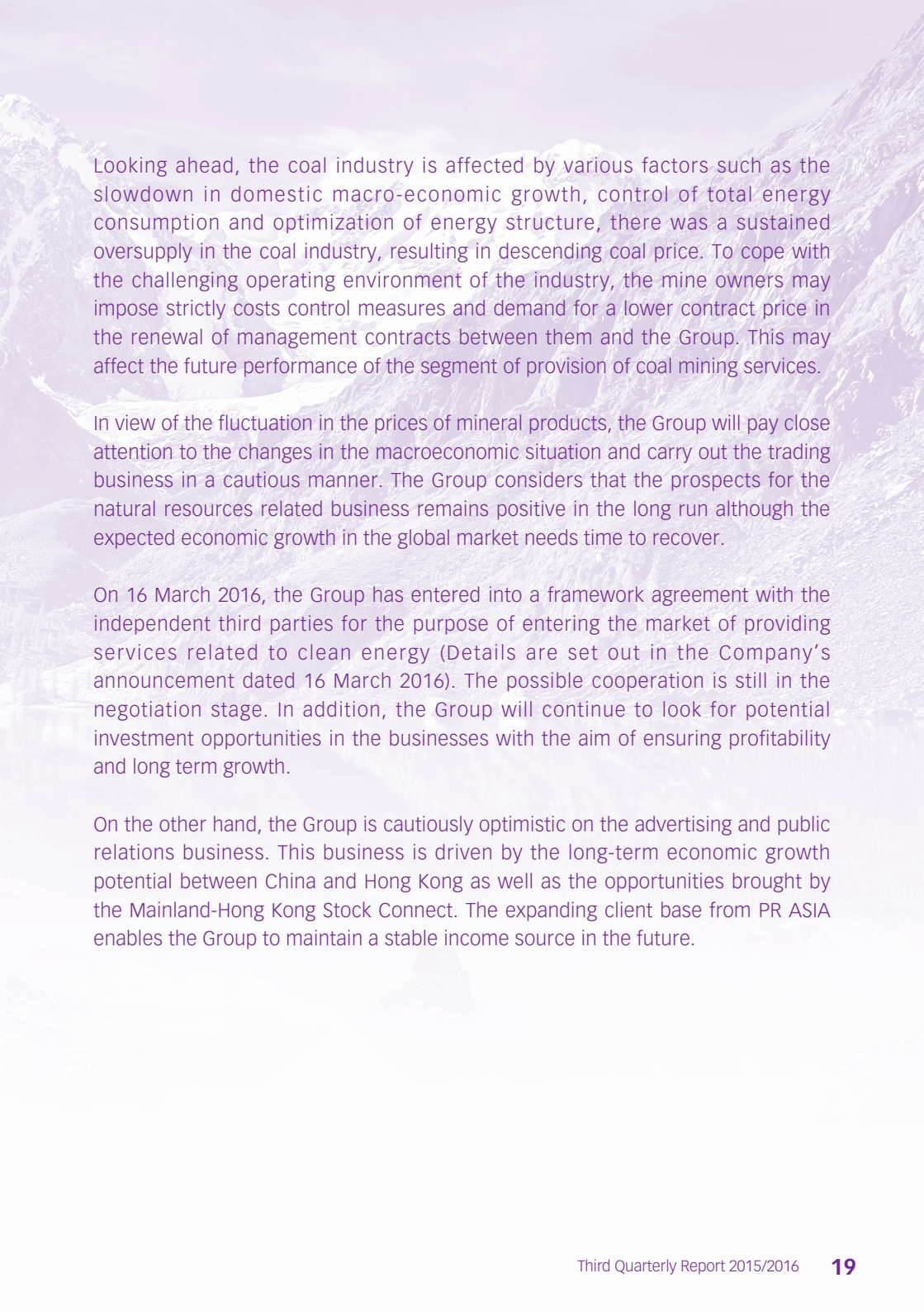
The Company had held-for-trading investment in certain listed securities in Hong Kong, the market value amounted to approximately HK\$55.55 million as at 31 March 2016. During the Period, a loss arising on change in fair value of the listed securities of approximately HK\$4.74 million (2015: gain of HK\$1.34 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\$80.79 million (2015: HK\$2.46 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.

On 16 March 2016, the Group has entered into a framework agreement with the independent third parties for the purpose of entering the market of providing services related to clean energy (Details are set out in the Company's announcement dated 16 March 2016). The possible cooperation is still in the negotiation stage. In addition, the Group will continue to look for potential investment opportunities in the 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.

TERMINATION OF CONTINUING CONNECTED TRANSACTION

On 11 June 2015, Mr. Hu Meng (the “Landlord”) entered into the lease agreement (the “Lease Agreement”) with a wholly-owned subsidiary of the Company, namely C.N. TaiPu (Shenzhen) Investment Company Limited (the “Tenant”), pursuant to which Tenant agreed to the leasing of the property of Units 1302–1307, 13/F., Excellence Times Plaza Premises, 4068 Yitian Road, Futian District, Shenzhen, PRC (the “Premises”) for a term commencing from 13 June 2015 to 12 June 2016 at a monthly rent of RMB275,035.10 (details are set out in the Company’s announcement dated 11 June 2015). During the Period, the Tenant entered into the termination agreement (the “Termination Agreement”) with the Landlord to terminate the Lease Agreement for the leasing of the Premises with effect from 22 February 2016. Pursuant to the Termination Agreement, (i) the Tenant was discharged from the incomplete leasing rights and obligations; and (ii) neither the Landlord nor the Tenant would have any claims against each other as a result of the termination of the Lease Agreement.

The entering into the Termination Agreement thereby terminating the Lease Agreement would reduce the rental costs of the Group as the Group no longer require such a large office space. As the Landlord is a connected person of the Company (being a family member of Mr. Hu Zhixiong, the Director and the ultimate beneficial owner of the substantial shareholder of the Company), the Termination Agreement constitutes a connected transaction of the Company under the GEM Listing Rules. As the applicable percentage ratios relating to the Termination Agreement less than 5% and the total consideration less than HK\$3,000,000, the Termination Agreement is exempt from the announcement, reporting and independent Shareholders’ approval requirements under Chapter 20 of the Listing Rules.

Share Capital

As at 1 July 2015 and 31 March 2016, 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 March 2016, 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 Holdings Limited, 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) 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.

Pledge of Assets

As at 31 March 2016, none of the assets of the Group were pledged as security for any banking facilities (30 June 2015: Nil).

Contingent Liabilities

As at 31 March 2016, 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.

Subsequent Event

On 21 April 2016, the Company completed the placing of an aggregate of 1,046,260,000 new shares of HK\$0.05 each in the Company through the placing agents to independent placees at a placing price of HK\$0.195 per share pursuant to placing agreements dated 7 April 2016 and 8 April 2016 entered into among the Company and the placing agents. The net proceeds raised from the placing were approximately HK\$201.2 million. (Details of the placing are set out in the announcement of the Company dated 8 April 2016).

OTHER INFORMATION

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

As at 31 March 2016, 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 (Note)	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 March 2016, 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 March 2016, 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.

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, internal control and risk management systems. 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 interim report of the Company for the six months ended 31 December 2015 are set out below:

Name of Director	Details of Change
Mr. Zhou, Francis Bingrong	Appointed as the vice chairman and executive Director with effect from 11 March 2016
Mr. Chen Liang	Resigned as the executive Director with effect from 11 March 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, 11 May 2016

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