



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)



2017/2018
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Da (*Chairman*)
Mr. Chen Youhua
(*Chief Executive Officer*)
Mr. Hu Zhixiong
Mr. Li Wai Hung
Mr. Liu Baoyu

Independent Non-Executive Directors

Mr. Wang Zhixiang
Ms. Wong Na Na
Ms. Feng Jibei

AUDIT COMMITTEE

Ms. Wong Na Na (*Chairman*)
Mr. Wang Zhixiang
Ms. Feng Jibei

REMUNERATION COMMITTEE

Ms. Wong Na Na (*Chairman*)
Mr. Wang Zhixiang
Ms. Feng Jibei

NOMINATION COMMITTEE

Ms. Wong Na Na (*Chairman*)
Mr. Wang Zhixiang
Ms. Feng Jibei

COMPANY SECRETARY

Mr. Ngai Man Wo

AUTHORISED REPRESENTATIVES

Mr. Cai Da
Mr. Ngai Man Wo

COMPLIANCE OFFICER

Mr. Cai Da

REGISTERED OFFICE

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Ugland House
Grand Cayman, KY1-1104
Cayman Islands

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Hong Kong

AUDITOR

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Certified Public Accountants
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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
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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

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 2017, together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2017

	Notes	Three months ended 31 December		Six months ended 31 December	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Continuing operations					
Revenue	3	75,615	113,075	153,148	253,473
Cost of sales and services provided		(56,871)	(93,139)	(118,651)	(219,068)
Gross profit		18,744	19,936	34,497	34,405
Other income		4,177	24	5,691	112
Other gains and losses, net	5	(3,140)	(29,214)	(5,423)	(28,297)
Selling and distribution expenses		-	(119)	-	(912)
Administrative expenses		(11,632)	(10,565)	(19,558)	(18,801)
Other operating (expenses) income		(2,548)	131	(4,144)	(1,552)
Amortisation of intangible assets		(7,599)	(5,449)	(15,128)	(11,067)
Impairment loss recognised in respect of loan receivable		(1,088)	-	(1,088)	-
Share of results of associates		-	-	-	(415)
Loss from operating activities	6	(3,086)	(25,256)	(5,153)	(26,527)
Finance costs	7	(1,605)	(2,201)	(3,210)	(4,050)
Loss before tax		(4,691)	(27,457)	(8,363)	(30,577)
Income tax (expense) credit	8	(695)	(519)	(581)	111
Loss for the period from continuing operations		(5,386)	(27,976)	(8,944)	(30,466)
Discontinued operation					
Gain for the period from discontinued operation	10	-	11,421	-	11,628
Loss for the period		(5,386)	(16,555)	(8,944)	(18,838)

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
<i>Notes</i>				
Loss for the period attributable to owners of the Company				
– from continuing operations	(5,654)	(27,726)	(9,110)	(30,215)
– from discontinued operations	–	10,518	–	9,311
Loss for the period attributable to owners of the Company	(5,654)	(17,208)	(9,110)	(20,904)
Profit (loss) for the period attributable to non-controlling interests				
– from continuing operations	268	(250)	166	(251)
– from discontinued operations	–	903	–	2,317
Profit for the period attributable to non-controlling interests	268	653	166	2,066
	(5,386)	(16,555)	(8,944)	(18,838)

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
<i>Notes</i>				
Other comprehensive income (expense) for the period, net of tax				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	10,448	(19,626)	18,790	(24,074)
Total comprehensive income (expense) for the period, net of tax attributable to:	5,062	(36,181)	9,846	(42,912)
Total comprehensive income (expenses) for the period attributable to:				
Owners of the parent	4,794	(36,834)	9,538	(44,978)
Non-controlling interests	268	653	308	2,066
	5,062	(36,181)	9,846	(42,912)
(Loss) earnings per share	<i>12</i>			
From continuing and discontinued operations				
– Basic and diluted (HK cents per share)	(0.08)	(0.25)	(0.13)	(0.30)
From continuing operations				
– Basic and diluted (HK cents per share)	(0.08)	(0.40)	(0.13)	(0.44)
From discontinued operations				
– basic and diluted (HK cents per share)	–	0.15	–	0.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 and 30 June 2017

	<i>Notes</i>	As at 31 December 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		45,537	44,560
Goodwill		1,723	1,655
Customer contracts	13	156,566	164,851
Available-for-sale investment		7,349	7,349
Deferred tax assets		11,609	11,129
Investments in associates		–	–
		222,784	229,544
Current assets			
Trade, bills and other receivables	14	272,107	186,951
Loan receivables		136,093	190,147
Amounts due from associates		61,500	61,500
Held-for-trading investments		13,484	24,715
Cash and cash equivalents		112,985	91,279
		596,169	554,592
Assets of a disposal group classified as held for sale		–	39,611
		596,169	594,203
Current liabilities			
Trade and other payables	15	85,485	78,307
Income tax payables		11,072	10,286
		96,557	88,593
Liabilities directly associated with assets classified as held for sale		–	7,388
		96,557	95,981

	As at 31 December 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
<i>Notes</i>		
Net current assets	499,612	498,222
Total assets less current liabilities	722,396	727,766
Non-current liabilities		
Promissory notes	109,179	106,587
Deferred tax liabilities	39,949	42,578
	149,128	149,165
Net assets	573,268	578,601
Capital and reserves		
Share capital	342,728	342,728
Reserves	230,821	221,253
Equity attributable to owners of the Company	573,549	563,981
Non-controlling interests	(281)	14,620
Total equity	573,268	578,601

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation 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 2017 (Audited)	342,728	652,695	(29,998)	(401,444)	563,981	14,620	578,601
(Loss) profit for the period	-	-	-	(9,110)	(9,110)	166	(8,944)
Other comparative income for the period	-	-	18,648	-	18,648	142	18,790
Total comprehensive income (expense) for the period	-	-	18,648	(9,110)	9,538	308	9,846
Disposal of a subsidiary	-	-	30	-	30	(15,209)	(15,179)
Balance at 31 December 2017 (Unaudited)	342,728	652,695	(11,320)	(410,554)	573,549	(281)	573,268

For the six months ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation 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 2016 (Audited)	342,938	652,901	(27,815)	(3,383)	(257,833)	706,808	10,521	717,329
(Loss) profit for the period	-	-	-	-	(20,904)	(20,904)	2,066	(18,838)
Exchange differences on translation of foreign operations	-	-	(24,074)	-	-	(24,074)	-	(24,074)
Total comprehensive income (expense) for the period	-	-	(24,074)	-	(20,904)	(44,978)	2,066	(42,912)
Additional non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	1,101	1,101
Decrease in non-controlling interests arising on disposal of subsidiaries	-	-	-	3,383	-	3,383	(13,226)	(9,843)
Balance at 31 December 2016 (Unaudited)	342,938	652,901	(51,889)	-	(278,737)	665,213	462	665,675

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash from (used in) operating activities	25,384	(145,135)
Net cash from (used in) investing activities	14,171	(32,170)
Net cash from financing activities	–	32,996
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Net increase (decrease) in cash and cash equivalents	39,555	(144,309)
Cash and cash equivalents at beginning of period	91,279	216,093
Effect of foreign exchange rate changes	(17,849)	(10,847)
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Cash and cash equivalents at end of period, represented by bank balances and cash	112,985	60,937

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2017 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 2016 except as described below.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and one new interpretation that are first effective for the current accounting period of the Group. These developments relate primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of this interim financial report.

Save as the above, the accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 30 June 2017.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of the impact of these new standards, amendments and interpretation on its results of operations and financial position.

3. REVENUE

The Group's revenue represents revenue arising on (i) provision of coal mining services, (ii) provision of heating supply services, (iii) trading of mineral products and (iv) 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Continuing operations				
Provision of coal mining services	69,019	83,964	143,228	148,418
Provision of heating supply services	2,047	849	2,047	849
Trading of mineral products	-	24,010	-	96,326
Provision of money lending services	4,549	4,252	7,873	7,880
	75,615	113,075	153,148	253,473

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 mine construction engineering, mechanical equipment installation and coal production and technical services
- Heating supply services – Provision of heating supply services
- Mineral products – Trading of mineral products
- Money lending – Provision of money lending services

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 2017

	Coal mining services (Unaudited) HK\$'000	Heating supply services (Unaudited) HK\$'000	Mineral products (Unaudited) HK\$'000	Money lending (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	143,228	2,047	-	7,873	153,148
Segment results	2,188	1,381	-	6,497	10,066
Other income					189
Loss on disposal of held-for-trading investment					(12,594)
Gain arising on change in fair value of held-for-trading investments					8,187
Net gain on disposal of subsidiaries					(1,016)
Finance costs					(3,210)
Central administration costs					(9,985)
Loss before taxation (continuing operations)					(8,363)

For the six months ended 31 December 2016

	Coal mining services (Unaudited) HK\$'000	Heating supply services (Unaudited) HK\$'000	Other mineral products (Unaudited) HK\$'000	Money leading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	148,418	849	96,326	7,880	253,473
Segment results	7,215	(1,997)	(1,889)	7,870	11,199
Other income					112
Gain on disposal of held-for-trading investment					13,396
Loss arising on change in fair value of held-for-trading investments					(27,403)
Impairment loss recognised in respect of available-for-sale investment					(14,290)
Share of results of associates					(415)
Finance costs					(4,050)
Central administration costs					(9,126)
Loss before taxation (continuing operations)					(30,577)

5. OTHER GAINS AND LOSSES, NET

	Three months ended 31 December		Six months ended 31 December	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000 (restated)	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000 (restated)
<i>Notes</i>				
Continuing operations				
(Loss) gain on disposal of held-for-trading investments	(7,488)	–	(12,594)	13,396
Gain (loss) arising on change in fair value of held-for-trading investments	4,348	(14,924)	8,187	(27,403)
Impairment loss recognised in respect of available-for-sale investment	–	(14,290)	–	(14,290)
Net loss on disposal of subsidiaries	–	–	(1,016)	–
	(3,140)	(29,214)	(5,423)	(28,297)

6. LOSS FOR THE PERIOD FROM OPERATING ACTIVITIES

The Group's loss for the period from operating operations is arrived at after charging:

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Depreciation of property, plant and equipment	2,188	1,921	4,390	4,113
Amortisation of intangible assets	7,599	5,449	15,128	11,067

7. FINANCE COSTS

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Continuing operations				
Interest expenses on discounted bills	-	309	-	412
Imputed interest on promissory notes	1,605	1,892	3,210	3,638
	1,605	2,201	3,210	4,050

8. INCOME TAX EXPENSE (CREDIT)

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Continuing operations				
Current profits tax:				
- Hong Kong	224	582	630	1,010
- People's Republic of China ("PRC")	2,755	1,391	4,331	1,847
Deferred tax credit	(2,284)	(1,454)	(4,380)	(2,968)
	695	519	581	(111)

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.

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

9. DISPOSAL OF SUBSIDIARIES

Disposal of 北京達慧城

At 24 June 2017 and 30 August 2017, the Group entered into a sale and purchase agreement and supplemental agreement to dispose of its 100% equity interest in 北京達慧城新能源技術服務有限公司 and its subsidiaries (“北京達慧城”), which mainly operates heating supply services in Mainland China, to an independent third party by cash consideration of RMB14,060,000. Although the operation of heating supply services is considered as a separate major line of business, disposal of 北京達慧城 did not constitute the Group’s entire heating supply services operation, thus, it is not accounted for as a discontinued operation for the period ended 31 December 2017. The disposal was completed on 8 September 2017.

	北京達慧城 HK\$'000
Total cash consideration	16,326
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Analysis of assets and liabilities which control was lost:	
Property, plant and equipment	4,663
Trade receivables	200
Deposits, other receivables and prepayments	35,516
Cash and cash equivalents	57
Trade payable	(4,451)
Other payables	(3,464)
Non-controlling interests	(15,179)
<hr/>	
Net assets disposed of	17,342
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Net loss on disposal of the subsidiary	(1,016)
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Net cash inflow arising on disposal:	
Cash consideration	16,326
Less: cash and cash equivalents disposed of	57
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	16,269
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Disposal of PR Asia Investment Holdings Limited ("PR ASIA")

On 17 October 2016, the Company announced that a sale and purchase agreement (the "**S&P Agreement**") was entered into between Intelligent Way Limited (the "**Purchaser**"), and Chemosino International Limited ("**Chemosino**") (a wholly-owned subsidiary of the Company), as vendor. Pursuant to the S&P Agreement, Chemosino has conditionally agreed to sell and the Purchaser have conditionally agreed to acquire the 60% of the issued share capital of PR ASIA, a company incorporate in the British Virgin Islands ("**BVI**") with limited liability, a company directly owned by Chemosino and its subsidiaries ("**PR ASIA Group**"), at a cash consideration of HK\$36,300,000. PR ASIA Group is principally engaged in provision of advertising and public relations services. The disposal of PR ASIA Group constituted a discloseable transaction of the Company under the GEM Listing Rules, and was completed on 2 November 2016.

	PR ASIA Group HK\$'000
Total cash consideration	36,300
<hr/>	
Analysis of asset and liabilities which control was lost:	
Property, plant and equipment	193
Trade receivables	6,957
Deposits, other receivables and prepayments	2,981
Deferred tax assets	156
Cash and cash equivalents	7,997
Trade payable	(545)
Other payables	(1,376)
Income tax payables	(541)
	<hr/>
	15,822
Goodwill	17,062
Non-controlling interests	(13,226)
Other reserve	3,383
	<hr/>
	23,041
Net gain on disposal of the subsidiaries	13,259
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Net cash inflow arising on disposal:	
Cash consideration	36,300
Less: cash and cash equivalents disposed of	7,997
	<hr/>
	28,303
	<hr/>

10. 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		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Profit for the period from discontinued operation				
Revenue	-	5,833	-	19,916
Cost of sales and services provided	-	(3,478)	-	(9,369)
Investment and other income	-	25	-	35
Administrative expenses	-	(1,953)	-	(5,292)
Other operating expenses	-	(1,956)	-	(5,927)
Loss before tax	-	(1,529)	-	(637)
Income tax expense	-	(309)	-	(994)
Gain on disposal of discontinued operations	-	(1,838)	-	(1,631)
	-	13,259	-	13,259
Profit for the year from discontinued operations (attributable to owners of the Company)	-	11,421	-	11,628

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (Restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (Restated)
Profit for the period from discontinued operation has been arrived at after charging:				
Depreciation of property, plant and equipment	-	207	-	258

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Cash flows from discontinued operation		
Net cash from operating activities	–	2,772
Net cash used in investing activities	–	(558)
Net cash used in financing activities	–	(1,992)
	<hr/>	
Net cash inflow for the period from discontinued operation	–	222
	<hr/>	

11. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2017 (2016: 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 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	(5,654)	(17,208)	(9,110)	(20,904)
	<hr/>			

	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	6,854,562	6,858,762	6,854,562	6,858,762

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 six months ended 31 December 2016 and 31 December 2017.

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 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Loss				
Loss for the period attributable to owners of the Company	(5,654)	(17,208)	(9,110)	(20,904)
Less: gain for the period from discontinued operation	-	10,518	-	9,311
Loss for the purpose of basic and diluted loss per share from continuing operations	(5,654)	(27,726)	(9,110)	(30,215)

The denominators used are same as those detailed above for both basic and diluted 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 six months ended 31 December 2016 and 31 December 2017.

From discontinued operation

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

	Three months ended 31 December		Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Gain				
Gain for the purpose of basic and diluted earnings per share from discontinued operation	-	10,518	-	9,311

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

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and six months ended 31 December 2016 and 31 December 2017.

13. CUSTOMER CONTRACTS

	Customer contracts HK\$'000
Cost	
At 30 June 2017	312,909
Exchange realignment	13,491
At 31 December 2017	326,400
Accumulated amortisation	
At 30 June 2017	148,058
Amortisation during the period	15,128
Exchange realignment	6,648
At 31 December 2017	169,834
Carrying amounts	
At 31 December 2017	156,566
At 30 June 2017	164,851

14. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
Trade receivables	113,418	124,244
Bills receivables	107,256	26,816
Receivables arising from dealing in listed securities	22,394	116
Other deposits paid	23,145	28,020
Less: Impairment	(2,400)	(2,335)
	20,745	25,685
Prepayments	4,341	375
Other receivables	3,953	9,715
	272,107	186,951

All the bills receivables are aged within 360 days.

The following is an aged analysis of trade receivables, presented based in the invoice date which approximated the date of revenue recognition:

	As at 31 December 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
0–30 days	35,729	39,104
31–60 days	31,307	28,229
61–90 days	11,011	27,925
Over 90 days	35,371	28,986
	113,418	124,244

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

15. TRADE AND OTHER PAYABLES

	As at 31 December 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
Trade payables	6,478	19,658
Accrued staff cost	19,071	21,560
Accrued mining service costs	28,278	20,940
Other tax payables	7,727	6,166
Other payables	23,931	9,983
	85,485	78,307

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 2017 (Unaudited) HK\$'000	As at 30 June 2017 (Audited) HK\$'000
0–30 days	2,820	2,126
31–60 days	326	5,925
61–90 days	65	2,611
Over 90 days	3,267	8,996
	6,478	19,658

16. CAPITAL COMMITMENTS

As at 31 December 2017, the Group has no significant capital commitment.

17. COMPARATIVE FIGURES

As a result of the establishment of 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 six months ended 31 December 2017 (the “Period”), the Group recorded a revenue from continuing operations of approximately HK\$153.15 million (2016: HK\$253.47 million), representing a decrease of 39.58% as compared with that of the corresponding period in 2016. The decrease in revenue was mainly due to the temporary suspension of the operations in trading of mineral products which contributed approximately HK\$96.33 million revenue in the corresponding period in 2016. The Group’s gross profit from continuing operations for the Period increased from HK\$34.41 million to approximately HK\$34.50 million and the gross profit margin increased from 13.57% to 22.53% for the Period. The increase in profit margin was primarily due to the trading business carried on in the corresponding period in 2016 with a relatively low gross profit margin as compared to the other business segments.

During the period, the Group recorded other income of approximately HK\$5.69 million, principally represented the subsidy from government, a loss on disposal for held-for-trading investment of approximately HK\$12.59 million, (2016: gain of HK\$13.40 million), a gain arising on change in fair value of the listed securities amounted to HK\$8.19 million (2016: loss of HK\$27.40 million) from the investment in held-for-trading securities and a loss on disposal of subsidiaries amounted to HK\$1.02 million.

The Group recorded a slightly increase in administrative expenses from HK\$18.80 million to HK\$19.56 million, and the operating expenses increased from HK\$1.55 million to HK\$4.14 million. The increase in operating expenses was mainly due to an exchange gain of HK\$1.82 million that recorded in the correspondence period in 2016 which was offset against other expenses. The Group also recorded amortization of customer contracts, impairment loss recognised in respect of loan receivable and finance costs from continuing operations in the amount of HK\$15.13 million (2016: HK\$11.07 million), HK\$1.09 million (2016: nil) and HK\$3.21 million (2016: HK\$4.05 million) respectively.

In conclusion, loss attributable to owners of the Company from continuing operations for the Period amounted to approximately HK\$8.95 million (2016: HK\$30.47 million), representing a decrease of 70.64%.

Provision of coal mining services

The Group provided coal mining services to six coal mines during the Period under the terms of the respective management contracts signed between the Group and the mine owners. The major revenue of this segment comprises of service incomes from coal production and excavation works. During the period ended 31 December 2017, approximately 7.04 million tonnes of coal had been produced and approximately 8.44 kilometres of tunnels had been excavated by the Group.

During the Period, the Group's provision of coal mining services recorded a revenue of approximately HK\$143.23 million (2016: HK\$148.42 million) which accounted for 93.52% of the Group's total revenue from continuing operations.

Money lending business

The Group operates its money lending business through an indirectly wholly-owned subsidiary of the Company, which obtained a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). The Group also made short term loans to third parties in the PRC through its subsidiaries in Mainland China. During the Period, the revenue from loan interest income was approximately HK\$7.87 million (2016: HK\$7.88 million) which accounted for 5.14% of the Group's total revenue from continuing operations. The interest rate charged by the Group ranged from 5% to 30% per annum. The loans were unsecured, with credit terms less than one year.

Provision for heating supply services

The Group diversified into the business of provision of heating supply services in Tinjian City of the PRC since 2016. The services included transformation of coal-fired heating systems and provided heating to the customers. During the Period, the Group's provision of heating supply services recorded a revenue of approximately HK\$2.05 million (2016: HK\$0.85 million) which accounted for 1.34% of the Group's total revenue from continuing operations. In addition, the Group obtained subsidies of RMB3.19 million in relation to convert the boilers from coal to natural gas and is still in negotiation with the local government of Tianjin to claim the remaining subsidies in accordance with the government policy. The total amounts of subsidies are subject to negotiations. The group recorded a gain of approximately HK\$1.38 million in this segment for the Period.

On 8 September 2017, the Group has completed the disposal of its 100% equity interest in 北京達慧城 and its subsidiaries, which mainly operate heating supply services in the PRC (excluding Tianjin city) and a loss of disposal of approximately HK\$1.02 million was recorded during the Period.

On 11 October 2017, the Company entered into a cooperation framework agreement with Xizang Beijing Enterprise Clean Heating Company Limited in respect of the possible cooperation ("**Possible Cooperation**") in natural gas heating projects and the reform of combined heat and power state-owned enterprises in Tianjin City. The negotiation for the Possible Cooperation was still in progress but parties have not yet reached a further agreement as at the date of this report.

Investment in available-for-sale investment and held-for-trading securities

As at 31 December 2017, the Company had available-for-sale investment and held-for-trading investments in certain securities listed in Hong Kong, the fair value amounted to approximately HK\$7.35 million (30 June 2017: HK\$7.35 million) and HK\$13.48 million (30 June 2017: HK\$24.72 million) respectively. During the Period, the Group recorded a gain arising on change in fair value of held for trading investments of approximately HK\$8.19 million and a loss on disposal of held for trading investment of approximately HK\$12.59 million.

The available-for-sale investment represented the investment in China Green (holdings) Limited which is principally engaged in growing, processing and sales of agricultural products.

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

Investee	Stock code	Notes	Carrying	Costs	Proceeds	Realised	Unrealised	Market
			amount as at 30/6/2017 HK\$'000	Acquisition during the period HK\$'000	from disposal during the period HK\$'000	Gain/(loss) on disposal during the period HK\$'000	fair value gain/(loss) during the period HK\$'000	Value as at 31/12/2017 HK\$'000
Best Food Holding Company Limited ("Best Food")	1488	1	-	4,902	-	-	38	4,940
Huarong Investment Stock Corporation Limited ("Huarong Inv")	2277	2	-	3,064	-	-	63	3,127
China New Economy Fund Limited ("CNEWECON FUND")	80	3	1,161	2,566	-	-	(973)	2,754
WLS Holdings Limited ("WLS Holdings")	8021	4	727	-	-	-	766	1,493
IR Resources Limited ("IR Resources")	8186	5	1,912	-	-	-	(742)	1,170
China Wah Yan Healthcare Limited ("Wah Yan Health")	648	6	8,424	-	(2,578)	(7,155)	1,309	-
New Ray Medicine International Holding Limited ("New Ray")	6108	7	-	584	-	-	(584)	-
First Credit Finance Group Limited	8215		-	2,940	(594)	(2,346)	-	-
LEAP Holdings Group Limited	1499		10,139	-	(14,756)	(333)	4,950	-
Jun Yang Financial Holdings Limited	397		2,352	-	(2,952)	(2,760)	3,360	-
Total			24,715	14,056	(20,880)	(12,594)	8,187	13,484

Notes:

- (1) The Group held 3,800,000 shares which represented approximately 0.26% of the total issued shares of Best Food as at 31 December 2017. Best Food is principally engaged in the operation of chain restaurant and manufacture and sale of handbags under various locations.

Pursuant to Best Food's interim report for the six months ended 30 June 2017, the unaudited profit attributable to shareholders of Best Food for the six months ended 30 June 2017 was approximately RMB13.56 million and the unaudited net assets attributable to shareholders of Best Food as at 30 June 2017 was approximately RMB308.93 million. Since Hony Capital acquired Lee & Man Handbags Holding Limited through Sonic Tycoon Limited in August 2016, and changed its name to Best Food Holding Company Limited in December 2016, the Best Food set its core direction to the development of multi-brand catering business. Going forward, the Best Food will develop into a chain catering group with Controlling Brands and large Joint-Stock Brands.

The Group is optimistic about the chain restaurant market and the performance of the Best Food in the future.

- (2) The Group held 1,930,000 shares which represented approximately 0.11% of the total issued shares of Huarong Inv as at 31 December 2017. The principal businesses of Huarong Inv and its subsidiaries include (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

Pursuant to Huarong Inv's interim report for the six months ended 30 June 2017, the unaudited profit for the six months ended 30 June 2017 was approximately HK\$63.11 million and the unaudited net assets of Huarong Inv as at 30 June 2017 was approximately HK\$863.26 million. In the first half of 2017, China Huarong increased its shareholding to 50.99% and became the ultimate controlling Shareholder. Fully leveraging the advantages of brand, financial resources, synergy and comprehensive financial services of China Huarong, the Huarong Inv actively facilitated business transformation, vigorously developed its overseas and domestic direct investments, financial leasing and other financial service business based on its original construction business and achieved favorable results.

The Group is optimistic about the direct investments and financial services market and believes that the operating performance of the Huarong Inv will be improved as they have been exploring appropriate diversification business opportunities and enhance the long-term growth potential.

- (3) The Group held 20,870,000 shares which represented approximately 2.68% of the total issued shares of CNEWECON FUND as at 31 December 2017. CNEWECON FUND is principally engaged in investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of the mainland China, Hong Kong, Macau and Taiwan.

Pursuant to CNEWECON FUND's interim report for the six months ended 30 June 2017, the unaudited loss attributable to shareholders of CNEWECON FUND for the six months ended 30 June 2017 was approximately HK\$275,094,908 and the unaudited net assets attributable to shareholders of CNEWECON FUND as at 30 June 2017 was approximately HK\$353,822,426.

As the net asset per share of CNEWECON FUND was greater than the market price per share despite recording a significant operating loss, the Company considered that the then current market price did not accurately reflect the underlying value of CNEWECON FUND in light of its high net assets value per share. Nevertheless, the Company remained cautious about the outlook and performance of CNEWECON FUND given it had been loss making.

- (4) The Group held 38,272,000 shares which represented approximately 0.30% of the total issued shares of WLS Holdings as at 31 December 2017. WLS Holdings and its subsidiaries are principally engaged in the provision of scaffolding and fitting out services, management contracting services and other services for construction and buildings work, money lending business, securities brokerage and margin financing and securities investment business. Pursuant to WLS Holding's annual report for the year ended 30 April 2017, the audited loss attributable to shareholders of WSL Holdings for the year ended 30 April 2017 was approximately HK\$15,954,000 and the audited net assets attributable to shareholders of WSL Holdings as at 30 April 2017 was approximately HK\$786,126,000. Pursuant to WLS Holding's interim report for the six months ended 31 October 2017, the unaudited loss attributable to shareholders of WSL Holdings for the six months ended 31 October 2017 was approximately HK\$88,134,000.

As the net asset per share of WLS Holdings was greater than the market price per share despite recording an operating loss, the Company considered that the then current market price did not accurately reflect the underlying value of WLS Holdings in light of its high net assets value per share. Nevertheless, the Company remained cautious about the outlook and performance of WLS Holdings given it had been loss making.

- (5) The Group held 16,480,000 shares which represented approximately 1.98% of the total issued shares of IR Resources as at 31 December 2017. IR Resources and its subsidiaries are principally engaged in (i) forestry and agricultural business; (ii) the financial services business; (iii) logistics business and (iv) online cultural business.

Pursuant to IR Resources' interim report for the six months ended 30 June 2017, the unaudited loss attributable to shareholders of IR Resources for the six months ended 30 June 2017 was approximately HK\$21,235,000 and the unaudited net assets attributable to shareholders of IR Resources as at 30 June 2017 was approximately HK\$136,323,000. Pursuant to IR Resources' third quarterly report for the nine months ended 30 September 2017, IR Resources will continue to develop its financial service business in order to tap on the growth potential of the Hong Kong financial market as fueled by the closer collaboration between capital markets of Mainland China and Hong Kong. In addition, IR Resources recently gained a foothold in the online cultural business and targets to expand the scope of this business line to development of self-owned applications. The IR Resources will continue to make effort to strive to achieve a balanced business portfolio tapping the traditional economy, the financial economy and the new economy.

The Group is optimistic about the financial service business and the online cultural business of IR Resources in the future. Nevertheless, the Company remained cautious about the outlook and performance of IR Resources given it had been loss making.

- (6) The Group held 9,503,000 shares which represented approximately 2.91% of the total issued shares of Wah Yan Health as at 31 December 2017. The principal businesses of Wah Yan Health and its subsidiaries include (i) the operation of a chain of sports and healthcare clubhouses under the brand name of "Megafit" in the PRC; (ii) the medical and well-being business, comprising the operation of a chain of optical products and eye-care services retail shops under the brand name of "Hong Kong Optical", the provision of obstetric and gynaecological services in Hong Kong, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business; and (iii) the asset management business.

Pursuant to Wah Yan Health's interim report for the six months ended 30 June 2017, the unaudited loss attributable to shareholders of Wah Yan Health for the six months ended 30 June 2017 was approximately HK\$113,082,000 and the unaudited net assets attributable to shareholders of Wah Yan Health as at 30 June 2017 was approximately HK\$153,315,000.

In view of the trading suspensions of trading in the shares of Wah Yan Health since November 2017 and the date of resumption is uncertain, full provision for impairment of the investment in Wah Yan Health has been made.

- (7) The Company held 1,264,000 shares which represented approximately 0.08% of the total issued shares of New Ray as at 31 December 2017. The principal business of New Ray and its subsidiaries is in the trading of pharmaceutical products in the PRC.

Pursuant to New Ray's interim report for the six months ended 30 June 2017, the unaudited loss for the six months ended 30 June 2017 was approximately HK\$52.44 million and the unaudited net assets of New Ray as at 30 June 2017 was approximately HK\$768.77 million.

In view of the trading suspensions of trading in the shares of New Ray since October 2017 and the date of resumption is uncertain, full provision for impairment of the investment in New Ray has been made.

Investment in associates

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

Outlook

The provision of coal mining services remains the major source of revenue for the Group. In view of the effective policies implemented by the PRC Government in balancing the supply and demand of the coal market, the coal price increased substantially and the market was recovered. However, the Group face the problem of increasing in production costs, particularly the labor costs.

There has been an increase in demand for heating system and such growing trend is expected to continue in coming years due to rapid urbanisation and the environmental regulations drove the significant wave of boiler conversions from coal to natural gas in the PRC. In line with the Group's strategy to develop its environmental friendly heating business, the Group seeks further expansion in the more profitable areas such as Beijing city.

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.

As regards the money lending business of the Group, the Group will enhance the control over the granting of loans as well as monitoring its outstanding loans receivable to minimise credit risk thereon.

Looking ahead, the Group will maintain healthy development of different business segments to consolidate its business portfolio and diversify its source of income. Subject to the availability of financial resources, and should suitable investment or business opportunities arise, the Company may consider acquiring assets and/or business in the heating supply industries in order to enhance its financial performance as well as value to the shareholders of the Company in the long run.

Exchange Exposure

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

Use of proceeds from placing

The Company completed the placing of an aggregate of 1,046,260,000 new shares of HK\$0.05 each in the Company on 21 April 2016. The net proceeds from the placing was of approximately HK\$201.28 million. The Group intended to use 80% (approximately HK\$160 million) of the proceeds for the development in the business of provision of services related to clean energy and the remaining 20% (approximately HK\$40 million) of the proceeds for working capital purpose. As at the date of this report, the Group had utilized approximately HK\$81 million for the business of provision of services related to clean energy including (i) investment in the joint ventures for the provision of heat supply services, (ii) capital expenditure such as purchasing heat supply equipment and carrying construction works and (iii) operation costs of the joint ventures, and approximately HK\$40 million for general working capital. The remaining balance was deposited into the banks.

Material acquisitions and disposals

The disposal of investments relating to the provision of heating supply has been disclosed in the above of this report.

Liquidity and financial resources

As at 31 December 2017, the Group held cash and cash equivalents of approximately HK\$112.99 million (30 June 2017: HK\$91.28 million). Net current assets amounted to approximately HK\$498.52 million (30 June 2017: HK\$499.61 million).

As at 31 December 2017, the current ratio (defined as total current assets divided by total current liabilities) was approximately 6.17 times (30 June 2017: 6.19 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 3.33 (30 June 2017: 3.36).

The Group had no any bank borrowing as at 31 December 2017 (30 June 2017: Nil).

Pledge of assets

As at 31 December 2017, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 December 2017, there were 1,371 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 2017, the Group had no significant contingent liabilities.

Litigations

Save as disclosed in the annual report, no progress during the reporting period.

Event after reporting period

No significant events have occurred after the reporting period.

OTHER INFORMATION

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

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

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
Hu Zhixiong	Beneficial owner	38,400,000	0.56%

Save as disclosed above, as at 31 December 2017, 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 2017, so far as is known to the Directors and the Chief Executives, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group, were as follows:

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

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
陳朝暉	Beneficial owner	607,200,000	8.86%
Huang Xinsong (Note 1)	Held by controlled entity	574,480,000	8.38%
Liao XiaoFang	Beneficial owner	541,860,000	7.91%
159 Anti-Aging Health Group Ltd. (Note 2)	Beneficial owner	511,320,000	7.46%

Note 1 : Mr. Huang Xinsong (“**Mr. Huang**”) is deemed to be interested in 574,480,000 shares held by 159 Anti-Aging Health Group Ltd. and Hondex Investments Limited, both companies are incorporated in the British Virgin Islands and are wholly and beneficially owned by Mr. Huang.

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

Save as disclosed above, as at 31 December 2017, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Share Options Scheme

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

Competing Interests

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

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

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

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

Audit Committee

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

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

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

Hong Kong, 9 February 2018

As at the date of this report, the Board of the Company, comprises (i) five executive Directors namely, Mr. Cai Da, Mr. Chen Youhua, Mr. Hu Zhixiong, Mr. Li Wai Hung and Mr. Liu Baoyu; and (ii) three independent non-executive Directors namely, Ms. Wong Na Na, Mr. Wang Zhixiang, and Ms. Feng Jibei.