



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)

INTERIM REPORT

2020/21

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Da (*Co-Chairman*)
Mr. Li Xianghong (*Co-Chairman*)
Mr. Li Wai Hung
Mr. Wang Tong Tong

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Cai Da (*Chairman*)
Mr. Wang Zhixiang
Ms. Feng Jibei
Mr. Chen Xier

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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PRINCIPAL BANKERS

Dah Sing Bank Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor
Services Limited
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Hopewell Centre
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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 2020, together with the comparative unaudited figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2020

	Notes	Three months ended 31 December		Six months ended 31 December	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	56,494	90,561	82,781	173,807
Cost of services rendered		(43,384)	(75,460)	(62,609)	(142,984)
Gross profit		13,110	15,101	20,172	30,823
Other income	5	617	2,566	4,167	5,554
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		2,143	(519)	(7,269)	7,597
Administrative and other operating expenses		(11,577)	(15,504)	(21,782)	(28,309)
Impairment loss recognised in respect of property, plant and equipment		-	(12,113)	-	(12,113)
Impairment loss recognised in respect of customer contracts		-	(43,578)	-	(43,578)
Finance costs	7	(550)	(1,934)	(1,533)	(3,700)
Profit (loss) before taxation		3,743	(55,981)	(6,245)	(43,726)
Income tax (expense) credit	8	(1,838)	9,577	(2,689)	7,494
Profit (loss) for the period	6	1,905	(46,404)	(8,934)	(36,232)

	Note	Three months ended 31 December		Six months ended 31 December	
		2020	2019	2020	2019
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit (loss) for the period attributable to:					
– Owners of the Company		2,107	(46,288)	(8,660)	(36,056)
– Non-controlling interests		(202)	(116)	(274)	(176)
		1,905	(46,404)	(8,934)	(36,232)
Earning (loss) per share	10				
– Basic and diluted (HK cents per share)		0.03	(0.62)	(0.12)	(0.48)
Profit (loss) for the period		1,905	(46,404)	(8,934)	(36,232)
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		14,592	7,069	27,742	(8,151)
Total comprehensive income (expense) for the period, net of income tax		16,497	(39,335)	18,808	(44,383)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		16,490	(39,218)	18,817	(44,205)
Non-controlling interests		7	(117)	(9)	(178)
		16,497	(39,335)	18,808	(44,383)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 and 30 June 2020

	Notes	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		20,526	18,384
Customer contracts		–	–
Right-of-use assets		697	1,278
Deferred tax assets		7,605	6,737
		28,828	26,399
Current assets			
Trade, bills and other receivables	11	144,722	133,481
Loan receivables		147,518	199,297
Contract assets		13,077	14,799
Amount due from an associate		22,339	22,339
Financial assets at fair value through profit or loss		17,675	27,038
Cash and cash equivalents		158,198	122,081
		503,529	519,035
Current liabilities			
Trade and other payables	12	52,909	46,984
Contract liabilities		3,881	–
Lease liabilities		2,186	2,746
Amount due to a former noteholder	13	77,386	–
Promissory note		–	123,096
Income tax payables		7,197	2,952
		143,559	175,778

Notes	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Net current assets	359,970	343,257
Total assets less current liabilities	388,798	369,656
Non-current liabilities		
Lease liabilities	3,443	3,109
	3,443	3,109
Net assets	385,355	366,547
Capital and reserves		
Share capital	374,628	374,628
Reserves	10,531	(8,286)
Equity attributable to owners of the Company	385,159	366,342
Non-controlling interests	196	205
Total equity	385,355	366,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Attributable to owners of the Company							
	Share capital	Share premium	Foreign currency translation reserve	Other reserve	Accumulated losses	Total equity	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2020 (Audited)	374,628	651,897	(49,263)	3,639	(614,559)	366,342	205	366,547
Loss for the period	-	-	-	-	(8,660)	(8,660)	(274)	(8,934)
Exchange differences on translating foreign operations	-	-	27,477	-	-	27,477	265	27,742
Total comprehensive income (expense) for the period	-	-	27,477	-	(8,660)	18,817	(9)	18,808
Transfer	-	-	-	(2,803)	2,803	-	-	-
Balance at 31 December 2020 (Unaudited)	374,628	651,897	(21,786)	836	(620,416)	385,159	196	385,355

For the six months ended 31 December 2019

	Attributable to owners of the Company							
	Share capital	Share premium	Foreign currency translation reserve	Other reserve	Accumulated losses	Total equity	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2019 (Audited)	374,628	651,897	(34,911)	3,305	(513,188)	481,731	387	482,118
Loss for the period	-	-	-	-	(36,056)	(36,056)	(176)	(36,232)
Exchange differences on translating foreign operations	-	-	(8,149)	-	-	(8,149)	(2)	(8,151)
Total comprehensive expense for the period	-	-	(8,149)	-	(36,056)	(44,205)	(178)	(44,383)
Transfer	-	-	-	(1,368)	1,368	-	-	-
Balance at 31 December 2019 (Unaudited)	374,628	651,897	(43,060)	1,937	(547,876)	437,526	209	437,735

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	77,531	(53,603)
Net cash used in investing activities	(1,057)	(5,201)
Net cash used in financing activities	(46,855)	(54)
Net increase (decrease) in cash and cash equivalents	29,619	(58,858)
Cash and cash equivalents at beginning of period	122,081	151,107
Effect of foreign exchange rate changes	6,498	4,474
Cash and cash equivalents at end of period, represented by bank balances and cash	158,198	96,723

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the (i) provision of coal mining and construction services; (ii) provision for heating supply services; and (iii) 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 2020 ("**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The accounting policies and methods of computation applied in preparation of the Interim Financial Statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 30 June 2020.

In the current period, the Group has adopted the following new or revised standards, amendments and interpretation ("**new HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning 1 July 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the new HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. REVENUE

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

	Three months ended		Six months ended	
	31 December		31 December	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– Provision of coal production, excavation works and construction works	51,462	82,574	73,979	160,052
– Provision for heating supply services	2,509	2,338	2,509	2,338
	53,971	84,912	76,488	162,390
Revenue from other source				
– Interest income from money lending services	2,523	5,649	6,293	11,417
	56,494	90,561	82,781	173,807

4. SEGMENT INFORMATION

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

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

- Coal mining and construction services – Provision of excavation works, coal production and construction works
- Money lending – Provision of money lending services in Hong Kong and the People's Republic of China (the "PRC")
- Heating supply services – Provision of heating supply 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:

For the six months ended 31 December 2020

	Coal mining and construction services (Unaudited) HK\$'000	Money lending (Unaudited) HK\$'000	Heating supply services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	73,979	6,293	2,509	82,781
Segment results	8,769	2,561	(2,751)	8,579
Other income				242
Fair value changes on financial assets at FVTPL				(7,269)
Finance costs				(1,533)
Central administration costs				(6,264)
Loss before taxation				(6,245)

For the six months ended 31 December 2019

	Coal mining services (Unaudited) HK\$'000	Money leading (Unaudited) HK\$'000	Heating supply services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	160,052	11,417	2,338	173,807
Segment results	(47,324)	8,577	(1,781)	(40,528)
Other income				15
Fair value changes on financial assets at FVTPL				7,597
Finance costs				(3,586)
Central administration costs				(7,224)
Loss before taxation				(43,726)

5. OTHER INCOME

	Three months ended 31 December 2020 (Unaudited) HK\$'000		Six months ended 31 December 2020 (Unaudited) HK\$'000	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest income on bank deposits	310	343	497	493
Handling income	23	–	1,151	–
Leasing income from machinery	18	517	886	2,263
Government grants	–	–	268	–
Gain on disposal of property, plant and equipment	17	–	830	–
Sundry income	249	1,706	535	2,798
	617	2,566	4,167	5,554

6. PROFIT (LOSS) FOR THE PERIOD

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

	Three months ended		Six months ended	
	31 December		31 December	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of right-of-use assets	349	–	581	628
Depreciation and amortisation	536	4,593	1,221	8,760

7. FINANCE COSTS

		Three months ended		Six months ended	
		31 December		31 December	
		2020	2019	2020	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Interest expenses	13	583	–	1,014	–
Interest expenses on discounted bills		69	114	120	114
Imputed interest in lease liabilities		12	54	23	54
Imputed interest on promissory note		(114)	1,766	376	3,532
		550	1,934	1,533	3,700

8. INCOME TAX EXPENSE (CREDIT)

	Three months ended		Six months ended	
	31 December		31 December	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
- Hong Kong Profits Tax	36	191	105	394
- PRC	1,802	1,673	2,584	4,046
Deferred tax credit	-	(11,441)	-	(11,934)
	1,838	(9,577)	2,689	(7,494)

9. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2020 (2019: Nil).

10. EARNING (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	31 December		31 December	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss)				
Profit (loss) for the purpose of basic and diluted earning (loss) per share (profit (loss) for the period attributable to owners of the Company)	2,107	(46,288)	(8,660)	(36,056)

Three months ended 31 December		Six months ended 31 December	
2020	2019	2020	2019
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of Shares	Number of Shares	Number of Shares	Number of Shares
'000	'000	'000	'000

Number of shares

Weighted average number of

ordinary shares for the purpose
of basic and diluted earning (loss)

per share	7,492,562	7,492,562	7,492,562	7,492,562
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Diluted earning (loss) per share was the same as the basic earning (loss) per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 31 December 2019 and 31 December 2020.

11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Trade receivables	93,663	58,086
Less: allowance for impairment of trade receivables	(11,680)	(11,680)
	81,983	46,406
Bills receivables	14,111	46,317
Receivables arising from dealing in listed securities	2,920	871
Prepayments	6,256	5,412
Other deposits paid, net of allowance for impairment	21,639	22,944
Other receivables, net of allowance for impairment	17,813	11,531
	144,722	133,481

All the bills receivables are aged within 180 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 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
0–30 days	15,317	5,744
31–60 days	15,653	18,081
61–90 days	7,534	19,526
Over 90 days	43,479	3,055
	81,983	46,406

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

12. TRADE AND OTHER PAYABLES

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
Trade payables	9,088	8,662
Deposits received	2,256	2,174
Payables for acquisition of property, plant and equipment	394	316
Accrued mining service costs on excavation works	6,800	5,097
Accrued staff costs	21,625	18,634
Other tax payables	7,109	7,513
Interest payable	–	1,235
Other payables	5,637	3,353
	52,909	46,984

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

	As at 31 December 2020 (Unaudited) HK\$'000	As at 30 June 2020 (Audited) HK\$'000
0-30 days	6,330	4,306
31-60 days	531	781
61-90 days	63	1,202
Over 90 days	2,164	2,373
	9,088	8,662

13. AMOUNT DUE TO A FORMER NOTEHOLDER

On 31 July 2020, a deed of settlement has been signed between the Company and the noteholder for the settlement of promissory note. Pursuant to the deed, the Company has paid approximately of HK\$46.47 million during the reporting period. The Company may pay the instalment or any part of the instalment at any time before the repayment date of 31 July 2021. The amount due to a former noteholder is unsecured and bearing interest at 3% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the six months ended 31 December 2020 (the “**Period**”), the Group recorded a revenue of approximately HK\$82.78 million (2019: HK\$173.81 million), representing a decrease of 52.37% as compared with that of the corresponding period in 2019. The decrease in revenue was mainly due to the termination and non-renewal of coal mining service agreements (“**Cessation of Agreements**”) by the customers as announced in the Company’s announcements dated 16 January 2020 and 17 June 2020. The Group recorded gross profit of approximately HK\$20.17 million (2019: HK\$30.82 million) for the Period. The gross profit declined by approximately 34.56%, mainly due to the decline in revenue. The overall gross profit margin increased from 17.73% to 24.37% for the Period. The increase in margin was mainly due to a larger percentage of contribution to revenue from money lending business which has a much higher gross profit margin in comparing with the business of provision of coal mining & construction services.

The Group recorded other income, which was mainly contributed by the handling income for coal transportation services, leasing income from machinery and gain on disposal of fixed assets, in the amount of approximately HK\$4.17 million (2019: HK\$5.55 million) for the Period. The Group recorded a loss of HK\$7.27 million (2019: gain of HK\$7.60 million) of fair value change on financial assets at fair value through profit or loss, which represented a loss on investments in securities listed in Hong Kong. The Group recorded administrative and other operating expenses in the amount of HK\$21.78 million (2019: HK\$28.31 million), the decrease was mainly due to the absence of amortization of intangible assets in the Period. The Group recorded finance costs in the amount of HK\$1.53 million (2019: HK\$3.70 million). The decrease was due to the Group recognized less imputed interest on promissory note. Pursuant to a deed of settlement signed between the Company and the noteholder on 31 July 2020, the Company had paid approximately HK\$46.47 million to the noteholder during the Period and the interest rate for the outstanding balance was 3% per annum. The Group recorded income tax expense in the amount of HK\$2.69 million (2019: tax credit of HK\$7.49 million), the change was mainly due to the decrease in deferred tax liabilities written back.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$8.66 million (2019: HK\$36.06 million). The decrease in loss was mainly due to the absence of impairment losses recognised in respect of customer contracts (2019: HK\$43.58 million) and property, plant and equipment (2019: HK\$12.11 million).

Provision of coal mining & construction services

The major revenue of this segment comprises of service income from excavation works and provision of construction works. During the Period, the Group's provision of coal mining & construction services recorded a revenue of approximately HK\$73.98 million (2019: HK\$160.05 million) which accounted for 89.37% of the Group's total revenue. During the Period, the Group has ceased to provide services which are governed by the Entrusted Management Measures ("**Measure**") to its customers after the Cessation of Agreements but the Group still provided services not governed by the Measures. Furthermore, the Group also provided other services to new customers.

Money lending business

The Group operates its money lending business through an indirectly wholly-owned subsidiary of the Company, which is a licensed money lender 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\$6.29 million (2019: HK\$11.42 million) which accounted for 7.60% of the Group's total revenue. The decrease in revenue was mainly attributable to the decline in loan balances as the Group was more cautious in granting loans. The interest rate charged by the Group ranged from 5% to 20% per annum. Save for a loan of HK\$3 million which was secured by second charge of property, all loans extended by the Group were unsecured. The loans have credit terms of not more than one year.

Provision for heating supply

The Group provides the heat supply services in Tianjin City, the PRC. During the Period, the provision of heating supply services recorded a revenue of HK\$2.51 million (2019: HK\$2.34 million) which accounted for 3.03% of the Group's total revenue.

INVESTMENT IN LISTED SECURITIES (INCLUDING FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS)

As at 31 December 2020, the Company invested in certain securities listed in Hong Kong (i.e. Financial assets at FVTPL), the financial assets at FVTPL amounted to approximately HK\$17.68 million (30 June 2020: HK\$27.04 million). During the Period, the Group recorded a loss of fair value change on financial assets at FVTPL of approximately HK\$7.27 million (2019: gain of HK\$7.60 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Notes	Carrying amount as at 01/07/2020	Costs of acquisition during the period	Proceeds		Market Value as at 31/12/2020
					disposal during the period	Fair value gain/(loss) during the year	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Best Food Holding Company Limited ("Best Food")	1488	1	7,480	-	-	(880)	6,600
Ri Ying Holdings Limited ("Ri Ying")	1741	2	10,079	-	-	(4,571)	5,508
China Green Holdings Limited ("China Green")	904	3	891	-	-	157	1,048
JLOGO Holdings Limited ("JLOGO")	8527	4	4,000	847	-	(2,113)	2,734
China Futex Holdings Limited ("China Futex")	8506	5	2,209	1,291	(4,104)	1,178	574
Goal Forward Holdings Limited	1854		944	-	(1,023)	79	-
Optima Automobile Group Holdings Limited	8418		710	-	(925)	215	-
Mansion International Holdings Limited	8456		-	2,824	(2,066)	(758)	-
Others			725	1,375	(313)	(576)	1,211
Total			27,038	6,337	(8,431)	(7,269)	17,675

Notes:

- (1) The Group held 8,800,000 shares which represented approximately 0.56% of the total issued shares of Best Food as at 31 December 2020. Best Food is principally engaged in a single line of business of the operation of chain restaurants. Pursuant to Best Food's interim report for the six months ended 30 June 2020, the unaudited loss attributable to shareholders of Best Food for the six months ended 30 June 2020 was approximately RMB94.59 million and the unaudited net assets attributable to shareholders of Best Food as at 30 June 2020 was approximately RMB852.82 million. As a result of the sudden outbreak of the novel coronavirus disease (COVID-19) pandemic (the "**COVID-19 Pandemic**") at the beginning of 2020, the highest level response (level 1) to major public health emergencies was activated twice in Beijing or certain areas within the city. Given that over 75.0% of the stores under the controlling brands of Best Food are located in Beijing, the operations of the Best Food were seriously affected. Some of the stores were closed down, while the opening of new stores and expansion of franchise business have been carried out prudently. Despite the temporary suspension of its brand's operation due to the sudden outbreak of COVID-19 Pandemic, Best Food has exerted efforts to boost sales and control costs with a view to minimizing impact of the COVID-19 Pandemic to the Best Food group and weathering the periodic crisis. Currently, consumers' confidence has gradually revived and the sales of the Best Food have rebounded progressively. As the COVID-19 Pandemic had been gradually brought under control in the PRC, the sales of comparable stores under various brands of the Best Food for the six months ended 30 June 2020 (the "**Period**") have also gradually restored and reached 70% to 110% of that for the corresponding period in 2019. Best Food remains confident in the economic growth and prospects of China's food and beverage industry in the long run.
- (2) The Group held 5,508,000 shares which represented approximately 0.69% of the total issued shares of Ri Ying as at 31 December 2020. Ri Ying is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, excavation and lateral support (ELS) works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. Ri Ying also commenced its health management and consultancy business in the PRC, which mainly includes sales of health products and the provision of health services. Pursuant to Ri Ying's annual report for the year ended 30 September 2020, the audited profit attributable to shareholders for the year ended 30 September 2020 was approximately HK\$10.30 million and the audited net assets attributable to

shareholders of Ri Ying as at 30 September 2020 was approximately HK\$203.56 million. As at 30 September 2020, Ri Ying had 27 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$790.1 million, out of which approximately HK\$447.6 million has been recognised as revenue up to 30 September 2020. As supported by the growing health awareness of individuals and Ri Ying's business development in the PRC, its health management and consultancy business recorded considerable growth during the year ended 30 September 2020. The Directors of Ri Ying were of the view that the general outlook of the construction industry and the business environment in which Ri Ying operates would remain challenging. The outbreak of the novel coronavirus had a drastic effect on the Hong Kong economy and imposed negative impacts to the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the government. In view of such business environment, Ri Ying would adhere to prudent financial management and cost control. Furthermore, it will continue to obtain additional qualifications and strengthen its financial resources to better position itself for tendering for suitable projects in the public sector as a main contractor, and invest in the manpower and information system to enhance its operational capacity and efficiency. Additionally, the directors of Ri Ying considered that the growing health awareness of individuals in the PRC would offer increasing business opportunities to the growth of Ri Ying's health management and consultancy business. Ri Ying would continue to explore suitable business and investment opportunities to drive its business growth.

- (3) The Group held 8,733,600 shares which represented approximately 2.39% of the total issued shares of China Green as at 31 December 2020. Pursuant to China Green's interim report for the six months ended 31 October 2020, the unaudited loss attributable to shareholders for the six months ended 31 October 2020 was approximately RMB55.78 million and the unaudited net assets attributable to shareholders of China Green as at 31 October 2020 was approximately RMB308.96 million. China Green and its subsidiaries are principally engaged in growing, processing and sales of agricultural products, and production and sales of consumer food products.
- (4) The Group held 11,070,000 shares which represented approximately 2.21% of the total issued shares of JLOGO Holdings as at 31 December 2020. Pursuant to JLOGO's third quarterly report for the nine months ended 30 September 2020, the unaudited loss for the period was approximately SGD2.49 million. Pursuant to its interim report for the six months ended 30 June 2020, the unaudited net assets attributable to shareholders of JLOGO as at 30 June 2020 was approximately SGD5.97 million. JLOGO are principally engaged in the business of: (1) Asian full services restaurants in Singapore; and (2)

Artisanal bakery chain in Malaysia. JLOGO operate its dining operations in Singapore under two self-owned brands and one franchised brand. JLOGO are a food and beverage group which owns and operates award-winning restaurants in Singapore under different brands and owns one of the largest artisanal bakery chains in Malaysia in terms of revenue and the number of bakery retail outlets in Malaysia. JLOGO operate its dining operations in Singapore under two self-owned brands and one franchised brand. Its “Central Hong Kong Café” brand is primarily focused on offering a casual and authentic Cha Chaan Teng experience in a full service environment while our “Black Society” brand offers Chinese cuisines with a contemporary twist in a full service environment. The franchised “Greyhound Café” brand provides stylish and trendy ambience which serves a specialised Thai menu with creative twists. JLOGO’s artisanal bakery chain in Malaysia offers a wide selection of artisan breads, pastries and cakes under our “Bread Story” brand. JLOGO believe that they are competitively positioned based on their operating history of more than ten years, their strong brand recognition and reputation, diversified customer base, innovative product offerings, unique dining experience and experienced management. In addition, the locations of JLOGO’s restaurants in Singapore and our bakery retail outlets in Malaysia are vital to its strategy of targeting areas which are high in customer traffic and easily accessible by our target customers that will help in promoting our brands image and awareness. The outbreak of the novel coronavirus pandemic (“**COVID-19**”) and the corresponding anti-pandemic measures implemented by the authorities such as social distancing, self-isolation and city-wide lockdown which had adverse impacts on the number of customers in visiting JLOGO’s restaurants and bakery outlets caused a sharp decline in terms of consumer spending starting from the beginning of February 2020, and the extent of the impact on the JLOGO’s financial performance and operations cannot be determined at this stage as the duration and extent of the damage impacted by COVID-19 is still uncertain, JLOGO has thus halted its expansion plans, and its expenditure is carefully monitored to maintain a healthy cashflow and focus its resources in sustaining its current operations. At mid-November 2020, Singapore is in the transition to Phase Three of reopening of economy and with the potential additional support and relaxation of more safe management measures, it is expected to have a positive impact on the retail sector in Singapore. Whereas in Malaysia, the country is entering the third wave of the COVID-19 pandemic, with restricted movement imposed, JLOGO’s bakery outlets sales will be impacted by the reduced footfall in the fourth quarter of year 2020.

- (5) The Group held 972,000 shares which represented approximately 0.10% of the total issued shares of China Futex as at 31 December 2020. Pursuant to China Futex’s third quarterly report for the nine months ended 30 September 2020, the unaudited profit attributable to shareholders for the nine months ended 30 September 2020 was

approximately HKD3.50 million. Pursuant to China Futex's interim report for the six months ended 30 June 2020, the unaudited net assets attributable to shareholders of China Futex as at 30 June 2020 was approximately HKD141.74 million. China Futex is principally engaged in R&D, manufacturing and sales of circular knitting machines. China Futex was seriously and adversely affected by the outbreak of COVID-19. Under the adverse impact of the global outbreak of COVID-19, the business environment around the world has been full of challenges. China Futex will continue to assess the potential impact of the COVID-19 pandemic on its business operations, including its output and supply chain, and will closely monitor the changes in the overseas markets. Looking forward, China Futex will closely and prudently monitor any changes that may affect its operations, profitability and the business environment. Meanwhile, China Futex will endeavor to maintain its overall profitability and shareholders' value, and continue to leverage on its product quality and reputation to achieve a stable sales volume and control its cost. China Futex expects that the COVID-19 pandemic will continue to cause unfavorable impacts on the global economy and the operating markets of China Futex. China Futex will, from time to time, assess the impact of COVID-19 on its business operations and financial conditions, and will constantly monitor the evolving situation and take appropriate measures.

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's 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 directors expect the provision of coal mining and construction services will remain the Group's major source of revenue notwithstanding the challenges of increasing production costs and intense market competition. Given the income from the provision of coal-mining service and construction services is charged on project basis and is non-recurrent in nature, the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects. Accordingly, the Group has been actively pursuing new customers so as to enlarge its customer base. On the other hand, the Group has also implemented efficiency initiatives to streamline operation and achieve savings.

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

Given the coronavirus pandemic has an impact on the economies of China and Hong Kong, the Group will continue to enhance its control over the making of loans as well as monitoring its outstanding loans receivable to minimise credit risk with respect to its money lending business.

Looking ahead, the Group will maintain healthy development of different business segments to consolidate its business portfolio and diversify its source of income. Subject to the availability of financial resources, the Group will continue to actively consider venturing into new business areas, to broaden its source of revenue thereby creating greater value for its shareholders.

Exchange exposure

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

Use of proceeds from placing

The Company completed the placing of an aggregate of 1,046,260,000 Shares on 21 April 2016. The net proceeds from the placing were of approximately HK\$201.28 million. The Group intended to use 80% (approximately HK\$160 million) of the proceeds for the development in the business of provision of services related to clean energy and the remaining 20% (approximately HK\$40 million) of the proceeds for working capital purpose. As at 31 December 2020, 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. As at the date of this report, the remaining balance was deposited into the banks.

Material acquisitions and disposals

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

Liquidity and financial resources

As at 31 December 2020, the Group held cash and cash equivalents of approximately HK\$158.20 million (30 June 2020: HK\$122.08 million). Net current assets amounted to approximately HK\$359.97 million (30 June 2020: HK\$343.26 million). As at 31 December 2020, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.51 times (30 June 2020: 2.95 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.28 (30 June 2020: 0.33). The Group did not have bank borrowing as at 31 December 2020 (30 June 2020: Nil).

Capital commitments

As at 31 December 2020, the Group had no significant capital commitment.

Pledge of assets

As at 31 December 2020, none of the assets of the Group were pledged as security for any banking facilities.

Employee information

As at 31 December 2020, there were 636 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 2020, the Group had no significant contingent liabilities.

Litigations

There were no material litigations during the reporting period.

OTHER INFORMATION

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

As at 31 December 2020, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

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

Substantial shareholders' interests and short positions in Shares and underlying shares

As at 31 December 2020, so far as is known to the Directors and the Chief Executives, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as follows:

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

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
CHEN Zhaohui	Beneficial owner	437,480,000	5.84%
XU, Gongming	Beneficial owner	12,000,000	0.16%
XU, Gongming (Note 1)	Held by controlled entity	1,037,980,000	13.85%
Zheng He Industrial Group Limited (Note 1)	Beneficial owner	1,037,980,000	13.85%
Full Ying Holdings Limited	Beneficial owner	443,480,000	5.92%

Note 1: XU, Gongming is deemed to be interested in 1,037,980,000 shares held by Zheng He Industrial Group Limited, the company is incorporated in the British Virgin Islands, which is wholly and beneficially owned by XU, Gongming.

Save as disclosed above, as at 31 December 2020, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Share options scheme

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

Competing Interests

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

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

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Disclosure of information of directors under rule 17.50A (1) of the GEM listing rules

Pursuant to Rule 17.50A (1) of the GEM Listing Rules, there are no changes in information of the Directors since the date of annual report of the Company for the year ended 30 June 2020. There is no other information required to be disclosed pursuant to Rule 17.05A (1) of the GEM Listing Rules.

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 four independent non-executive Directors, namely Ms. Wong Na Na (committee

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

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

Hong Kong, 5 February 2021

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