Silk Road Energy Services Group Limited
絲路能源服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8250)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

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This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least seven days from the date of its publication and is available for reference on the website of the Company at http://www.silkroadenergy.com.hk.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	3	**265,349**	316,760
Cost of services rendered		**(234,412)**	(253,002)
Gross profit		**30,937**	63,758
Other income	5	**10,552**	19,843
Other gains (losses)	6	**4,122**	(9,131)
Administrative and other operating expenses		**(48,339)**	(65,201)
Gain on disposal of subsidiaries		**—**	175
Impairment loss recognised in respect of amount due from an associate		**(13,151)**	(7,510)
Impairment loss recognised in respect of trade and other receivables	10	**(4,902)**	(9,162)
Impairment loss recognised in respect of loan receivables	11	**(1,691)**	(6,139)
Impairment loss recognised in respect of right-of-use assets		**(15,993)**	—
Impairment loss recognised in respect of contract assets		**(738)**	(61)
Impairment loss recognised in respect of customer contracts		**(65,220)**	—
Finance costs		**(7,614)**	(7,063)
Loss before taxation		**(112,037)**	(20,491)
Income tax credit (expense)	7	**10,663**	(9,051)
Loss for the year	8	**(101,374)**	(29,542)
Loss for the year attributable to:			
— Owners of the Company		**(101,204)**	(29,989)
— Non-controlling interests		**(170)**	447
		(101,374)	(29,542)
LOSS PER SHARE	9		
Basic and diluted (HK cents per share)		**(1.35)**	(0.40)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(101,374)**	(29,542)
Other comprehensive expense for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(14,364)**	(17,970)
Reclassification of foreign currency translation reserve upon disposal of foreign operations	**—**	(33)
Other comprehensive expense for the year	**(14,364)**	(18,003)
Total comprehensive expense for the year	**(115,738)**	(47,545)
Total comprehensive (expense) income for the year attributable to:		
— Owners of the Company	**(115,556)**	(47,991)
— Non-controlling interests	**(182)**	446
	(115,738)	(47,545)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	**2020** **HK$'000**	2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**18,384**	26,687
Right-of-use assets		**1,278**	—
Goodwill		**—**	—
Customer contracts		**—**	71,994
Financial assets at fair value through other comprehensive income		**—**	—
Deferred tax assets		**6,737**	11,108
Interests in associates		**—**	—
Prepayments		**—**	10,322
		26,399	120,111
Current assets			
Trade, bills and other receivables	*10*	**133,481**	169,131
Loan receivables	*11*	**199,297**	177,122
Contract assets		**14,799**	4,726
Amount due from an associate		**22,339**	35,490
Financial assets at fair value through profit or loss		**27,038**	28,662
Cash and cash equivalents		**122,081**	151,107
		519,035	566,238
Current liabilities			
Trade and other payables	*12*	**46,984**	64,589
Promissory notes		**123,096**	—
Lease liabilities		**2,746**	—
Income tax payables		**2,952**	4,377
		175,778	68,966
Net current assets		**343,257**	497,272
Total assets less current liabilities		**369,656**	617,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2020

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Promissory notes	**—**	117,267
Lease liabilities	**3,109**	—
Deferred tax liabilities	**—**	17,998
	3,109	135,265
Net assets	**366,547**	482,118
Capital and reserves		
Share capital	**374,628**	374,628
Reserves	**(8,286)**	107,103
Equity attributable to owners of the Company	**366,342**	481,731
Non-controlling interests	**205**	387
Total equity	**366,547**	482,118

1. GENERAL

Silk Road Energy Services Group Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of the Group are (i) provision of coal mining and construction services; (ii) provision of heating supply services; and (iii) provision of money lending services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currencies are Renminbi ("RMB"), the functional currency of the Company and other subsidiaries is HK$.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* using the modified retrospective approach, with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 July 2019, and has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with lease term of twelve months or less). These liabilities were measured at the present value of the lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 was ranged from 5.66% to 5.76%.

The Group recognises right-of-use assets and measures them at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group as lessor

The Group leases some of its machineries. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 July 2019. Line items that were not affected by the adjustments have not been included.

	Notes	**Carrying amount previously reported at 30 June 2019** *HK$'000*	**Impact on adoption of HKFRS 16** *HK$'000*	**Carrying amount as restated at 1 July 2019** *HK$'000*
Right-of-use assets	*(a), (b)*	—	26,441	26,441
Prepayments – non-current	*(b)*	10,322	(10,322)	—
Trade, bills and other receivables	*(b)*	164,054	(7,165)	156,889
Lease liabilities	*(a)*	—	(8,787)	(8,787)
Accumulated losses	*(a)*	513,188	(167)	513,021

Notes:

(a) As at 1 July 2019, right-of-use assets held by the Group were measured at the carrying amount as if HKFRS 16 had been applied since the commencement date. The amount of HK$167,000 represents the difference between the right-of-use assets and the lease liabilities was recognised as an adjustment to the opening balance of accumulated losses.

(b) Upon adoption of HKFRS 16, non-current portion and current portion of prepaid lease payments of HK$10,322,000 and HK$7,165,000, respectively, are reclassified to right-of-use assets.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 30 June 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 July 2019 are as follows:

	HK$'000
Operating lease commitments disclosed as at 30 June 2019	3,792
Less: Short-term leases and other leases with remaining lease term ended on or before 30 June 2020	(1,221)
Add: Change in allocation basis between lease and non-lease components	7,075
Discounted using the incremental borrowing rate at 1 July 2019	(859)
Lease liabilities recognised as at 1 July 2019	8,787
Analysed as	
Current portion	2,761
Non-current portion	6,026
	8,787

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard, where applicable:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a lease term of less than 12 months at the commencement date as short-term leases.
- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 3	Reference to Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[7]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[6]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendment to HKFRS	Annual Improvements to HKFRSs 2018 – 2020 cycle[5]

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

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

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

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

5 Effective for annual periods beginning on or after 1 January 2022.

6 Effective for annual periods beginning on or after 1 June 2020.

7 Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of new and amendments to HKFRSs and the Amendments to Reference to the Conceptual Framework will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of coal production services	**132,994**	229,744
— Provision of excavation works	**71,164**	64,508
— Provision of heating supply services	**5,836**	5,635
— Provision of construction works	**34,898**	—
	244,892	299,887
Revenue from other source		
— Interest income from money lending business	**20,457**	16,873
	265,349	316,760

Set out below is the disaggregation of the Group's revenue from contracts with customers within the scope of HKFRS 15:

For the year ended 30 June 2020	**Coal mining and construction services** ***HK$'000***	**Heating supply services** ***HK$'000***	**Total** ***HK$'000***
Revenue from services:			
Provision of coal production services	**132,994**	**—**	**132,994**
Provision of excavation works	**71,164**	**—**	**71,164**
Provision of heating supply services	**—**	**5,836**	**5,836**
Provision of construction works	**34,898**	**—**	**34,898**
	239,056	**5,836**	**244,892**
Revenue from the geographical market:			
The PRC	**239,056**	**5,836**	**244,892**

For the year ended 30 June 2019	Coal mining and construction services *HK$'000*	Heating supply services *HK$'000*	Total *HK$'000*
Revenue from services:			
Provision of coal production services	229,744	—	229,744
Provision of excavation works	64,508	—	64,508
Provision of heating supply services	—	5,635	5,635
	294,252	5,635	299,887
Revenue from the geographical market:			
The PRC	294,252	5,635	299,887

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 30 June 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is HK$1,667,000 (2019: nil). The amount represents revenue expected to be recognised in the future from provision of construction works. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12 (2019: nil) months.

4. SEGMENT INFORMATION

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

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Coal mining and construction services — Provision of excavation works, coal production services and construction works

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

- Heating supply services — Provision of heating supply services

Segment revenues and results

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

	Segment revenues		Segment results	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Coal mining and construction services	**239,056**	294,252	**(91,343)**	6,624
Money lending	**20,457**	16,873	**11,040**	4,625
Heating supply services	**5,836**	5,635	**(1,658)**	6,064
Total	**265,349**	316,760	**(81,961)**	17,313
Other income			**775**	1,166
Other gains (losses)			**4,122**	(9,131)
Gain on disposal of subsidiaries			**—**	175
Impairment loss recognised in respect of amount due from an associate			**(13,151)**	(7,510)
Finance costs			**(7,317)**	(7,063)
Central administrative costs			**(14,505)**	(15,441)
Loss before taxation			**(112,037)**	(20,491)

The accounting policies of the operating segments are same as the Group's accounting policies. Segment results represent the profit (loss) incurred by each segment without allocation of certain other income, other gains (losses), gain on disposal of subsidiaries, impairment loss recognised in respect of amount due from an associate, certain finance costs and central administrative costs. This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

Upon application of HKFRS 16, certain of the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 30 June 2020.

Segment assets and liabilities

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

	2020	2019
	HK$'000	*HK$'000*
Segment assets		
Coal mining and construction services	**156,343**	268,132
Money lending	**199,362**	178,488
Heating supply services	**8,345**	10,346
Total segment assets	**364,050**	456,966
Unallocated	**181,384**	229,383
Consolidated assets	**545,434**	686,349
Segment liabilities		
Coal mining and construction services	**46,273**	59,181
Money lending	**357**	494
Heating supply services	**1,587**	1,633
Total segment liabilities	**48,217**	61,308
Unallocated	**130,670**	142,923
Consolidated liabilities	**178,887**	204,231

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

— All assets are allocated to reportable segments other than unallocated assets (mainly comprising certain property, plant and equipment, certain right-of-use assets, deferred tax assets, interests in associates, financial assets at fair value through other comprehensive income ("FVTOCI"), financial assets at fair value through profit or loss ("FVTPL"), amount due from an associate and certain other receivables and cash and cash equivalents); and

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

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Interest income on bank deposits	**546**	531
Government grants *(note)*	**3,236**	12,994
Leasing income from machinery	**2,331**	5,683
Handling income	**4,345**	—
Sundry income	**94**	635
	10,552	19,843

Note: Various local government grants were granted to subsidiaries of the Group for subsiding the operations in the PRC during the years ended 30 June 2020 and 2019.

6. OTHER GAINS (LOSSES)

	2020	2019
	HK$'000	*HK$'000*
Fair value changes on financial assets at FVTPL	**4,122**	(9,131)

7. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	**136**	60
Under (over) provision in prior years	**32**	(179)
	168	(119)
PRC Enterprise Income Tax		
Current year	**2,673**	8,960
Under-provision in prior year	**—**	1,411
	2,673	10,371
Deferred tax		
Current year	**(13,504)**	(1,201)
	(10,663)	9,051

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Other than the qualifying corporation, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 30 June 2020 (2019: 25%).

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

8. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Employee benefits expenses:		
Directors' emoluments	**5,043**	4,936
Other staffs' salaries and allowances	**158,071**	217,989
Other staffs' retirement benefits scheme contributions	**5,888**	9,203
Other staffs' welfare	**1,928**	4,089
Total employee benefits expenses	**170,930**	236,217
Auditor's remuneration	**1,350**	1,350
Depreciation and amortisation	**15,564**	27,921
Depreciation of right-of-use assets	**8,524**	—
Operating lease rentals in respect of rented premises and machineries	***(Note)***	4,186
Loss on disposal of property, plant and equipment	**353**	2,438

Note: Operating lease rentals in respect of rented premises and machineries for the year ended 30 June 2019 represented payments made and accounted for under HKAS 17. The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach.

9. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (for the year attributable to owners of the Company)	**(101,204)**	(29,989)

	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**7,492,562**	7,492,562

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 30 June 2019 and 2020.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**58,086**	76,020
Less: allowance for impairment of trade receivables	**(11,680)**	(10,301)
	46,406	65,719
Bills receivables	**46,317**	59,463
Receivables arising from dealing in listed securities	**871**	1,730
Prepayments *(note)*	**5,412**	21,700
Other deposits paid, net of allowance for impairment	**22,944**	19,884
Other receivables, net of allowance for impairment	**11,531**	10,957
	133,481	179,453
Less: Prepayments classified as non-current assets *(note)*	**—**	(10,322)
Current portion included in trade, bills and other receivables	**133,481**	169,131

Note: Upon adoption of HKFRS 16, non-current portion and current portion of prepaid lease payments of HK$10,322,000 and HK$7,165,000 respectively are reclassified to right-of-use assets.

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

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**5,744**	29,647
31–60 days	**18,081**	22,180
61–90 days	**19,526**	7,690
Over 90 days	**3,055**	6,202
	46,406	65,719

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

	HK$'000
At 1 July 2018	3,638
Impairment loss recognised	6,873
Exchange realignment	(210)
At 30 June 2019 and 1 July 2019	10,301
Impairment loss recognised	1,771
Exchange realignment	(392)
At 30 June 2020	11,680

The movements in the allowance for impairment of other deposits paid and other receivables are set out below:

	HK$'000
At 1 July 2018	—
Impairment loss recognised	2,289
Exchange realignment	(21)
At 30 June 2019 and 1 July 2019	2,268
Impairment loss recognised	3,131
Exchange realignment	(112)
At 30 June 2020	5,287

11. LOAN RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Loans	**208,706**	185,082
Less: impairment losses recognised	**(9,409)**	(7,960)
	199,297	177,122

At 30 June 2020, other than a loan to a third party with an aggregate principal and accrued interest amounting to HK$3,027,000 (2019: nil) is secured by a second charge of a property, all other loans to third parties with an aggregate principal and accrued interest of HK$196,270,000 (2019: HK$177,122,000) are unsecured, bear fixed interest ranging from 5% to 20% (2019: 5% to 20%) per annum and are repayable within one year and thus classified as current assets. Loan receivables of HK$112,030,000 (2019: HK$92,270,000) are guaranteed by guarantors.

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

In determining the ECL for loan receivables, the directors of the Company have taken into account the historical data together with other external available information and they are adjusted to reflect current and forward-looking information on macroeconomic factors.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

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

	12 month ECL	Lifetime ECL	Lifetime ECL — credit-impaired	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2018	1,934	—	13,984	15,918
Impairment loss recognised during the year, net	(352)	6,315	176	6,139
Amount written off	—	—	(13,984)	(13,984)
Exchange alignment	(72)	(39)	(2)	(113)
At 30 June 2019 and 1 July 2019	1,510	6,276	174	7,960
Impairment loss recognised during the year, net	(851)	2,098	444	1,691
Exchange alignment	(43)	(191)	(8)	(242)
At 30 June 2020	616	8,183	610	9,409

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**8,662**	8,614
Deposits received	**2,174**	2,454
Payables for acquisition of property, plant and equipment	**316**	1,150
Accrued mining service costs on excavation works	**5,097**	6,205
Accrued staff costs	**18,634**	32,230
Other tax payables	**7,513**	9,518
Accrued expenses	**1,703**	1,874
Interest payable	**1,235**	1,235
Other payables	**1,650**	1,309
	46,984	64,589

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

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**4,306**	6,501
31–60 days	**781**	628
61–90 days	**1,202**	61
Over 90 days	**2,373**	1,424
	8,662	8,614

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the year ended 30 June 2020 (the "Year"), the Group recorded a revenue of approximately HK$265.35 million (2019: HK$316.76 million), representing a decrease of 16.23% as compared with that of the corresponding year in 2019. The decrease in revenue was mainly due to the non-renewal of coal mining service agreements for year 2020 by a major customer on 16 January 2020 and the termination of coal mining services agreement with the remaining customer on 17 June 2020 (Collectively "Cessation of Agreements"). The Group's gross profit for the Year decreased by 51.47% to approximately HK$30.94 million (2019: HK$63.76 million) and the gross profit margin decreased from 20.13% in 2019 to 11.66% for the Year. The decrease in gross profit and gross profit margin were mainly due to (i) the decrease in revenue; (ii) increase in labour costs as extra labour was required for the production of coals owing to unfavourable mining conditions in first half of the Year; (iii) the Group could not reduce the labour costs immediately after the Cessation of Agreements as it take times for the surplus labour to be absorbed by other contractors or through natural turnover and (iv) the efficiency of the operation was adversely affected by the Cessation of Agreements.

During the Year, the Group recorded other income, which was mainly contributed by the handling income for provision for coal transportation services and subsidy from government for providing heating supply services, in the amount of approximately HK$10.55 million (2019: HK$19.84 million). The decrease in other income was mainly due to the decrease in subsidies received from the government as no additional capital expenditure had been incurred for the provision for heating supply.

The Group recorded a gain of HK$4.12 million (2019: loss of HK$9.13 million) on fair value changes of financial assets at fair value through profit or loss (the "FVTPL"), which represented a profit on investments in securities listed in Hong Kong. The Group recorded administrative and other operating expenses in the amount of HK$48.34 million (2019: HK$65.20 million), the decrease was mainly due to the decrease in the depreciation and amortisation.

The Group fully impaired the carrying amounts of customer contracts of HK$65.22 million (2019: nil) due to the Cessation of Agreements. The right-of-use assets of the Group represented the lease arrangements for office premises, staff quarter and mining machineries. The lease terms generally ranged from two to five years. The Group recognised impairment loss in respect of right-of-use assets in the amount of HK$15.99 million (2019: nil), owing to the significant decrease in the expected future revenue and cash inflow of the Group as a result of the Cessation of Agreements. The Group also recorded impairment loss recognised in respect of trade and other receivables, contract assets, loan receivables and amount due from an associate in the amount of HK$4.90 million (2019: 9.16 million), HK$0.74 million (2019: HK$0.06 million), HK$1.69 million (2019: 6.14 million) and HK$13.15 million (2019: 7.51 million) respectively.

The Group recorded finance costs in the amount of HK$7.61 million (2019: HK$7.06 million). The Group recorded income tax credit of HK$10.66 million for Year (2019: income tax expense of HK$9.05 million), the change was mainly due to the increase in deferred tax liabilities written back.

In conclusion, loss attributable to owners of the Company for the Year amounted to approximately HK$101.20 million (2019: HK$29.99 million). The increase in loss was primarily due to the impairment losses recognised in respect of customer contracts, right-of-use assets and amount due from an associate.

PROVISION OF COAL MINING AND CONSTRUCTION SERVICES

During the Year, the Group provided coal mining and construction services under the terms of the respective management contracts signed between the Group and the customers. The major revenue of this segment comprises of service income from coal production, excavation works and provision of construction works. During the Year, this segment recorded a revenue of approximately HK$239.06 million (2019: HK$294.25 million) which accounted for 90.09% of the Group's total revenue.

On 16 January 2020, the Group received notices from a major customer ("Major Customer") that in order to comply with the Entrusted Management Measures ("Measure") which was issued by the State Administration of Coal Mine Safety on 6 December 2019, the Major Customer had requested the Group to terminate all services offered in relation to the coal mines owned by the Major Customer (for details, refer to the Company's announcement dated 16 January 2020). The Major Customer had not renewed the coal mining services agreements with the Group after their respective expiration on 31 December 2019. Apart from the Major Customer, the Group has also been providing coal mining services to another customer ("Remaining Customer"). The relevant coal mining service agreement with the Remaining Customer originally is due to expire in June 2021 ("Existing Agreement"). On 17 June 2020, the Group and the Remaining Customer has entered into a termination agreement ("Termination Agreement") to terminate the Existing Agreement with immediate effect in order to comply with the Measure (for details, refer to the Company's announcement dated 17 June 2020). In view of the long-term business relationship between the Group and the Remaining Customer, the Remaining Customer has engaged the Group for other coal mining related services which are not governed by the Measure. On the other hand, the Group has been reallocating its resources to focus in pre-extraction stage services, such as coal mine infrastructure construction of above-the-ground infrastructures and peripheral land use planning of the coal mine area (whereas the previous coal mining services offered by the Group concern the extraction stage). To this end, the Group has entered into coal mine infrastructure construction agreement with a new customer and commenced the relevant construction works during the Year.

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 subsidiary in Mainland China. During the Year, the revenue from loan interest income was approximately HK$20.46 million (2019: HK$16.87 million) which accounted for 7.71% of the Group's total revenue. The interest rate charged by the Group ranged from 5% to 20% per annum. Save for a loan with principal amount of HK$3.00 million which was secured by second charge of property, all loans were unsecured. The loans have credit terms of not more than one year.

PROVISION FOR HEATING SUPPLY

The Group provides heating supply services in Tianjin City, the PRC. The services mainly include provision of heating supply to the customers. During the Year, the provision of heating supply services recorded a revenue of approximately HK$5.84 million (2019: HK$5.64 million) which accounted for 2.20% of the Group's total revenue. Notwithstanding that the provision for heating supply service recorded a gross loss of approximately HK$2.06 million due to the high price of gas, the Group has received subsidies of HK$2.87 million as other income from the government. Accordingly, the Group recorded a loss of approximately HK$1.66 million (2019: profit of HK$6.06 million) in this segment during the Year.

INVESTMENT IN LISTED SECURITIES (INCLUDING FINANCIAL ASSETS AT FVTPL

As at 30 June 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$27.04 million (2019: HK$28.66 million). During the Year, the Group recorded a gain of fair value changes on financial assets at FVTPL of approximately HK$4.12 million (2019: loss of HK$9.13 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Carrying amount as at 01/07/2019 *HK$'000*	Costs of acquisition during the year *HK$'000*	Proceeds from disposal during the year *HK$'000*	Fair value gain/ (loss) during the year *HK$'000*	Market value as at 30/06/2020 *HK$'000*
Best Food Holding Company Limited	1488	10,032	–	–	(2,552)	7,480
Lai Group Holding Company Limited	8455	1,342	–	(302)	(649)	391
Goal Forward Holdings Limited	1854	2,220	28	–	(1,304)	944
Ri Ying Holdings Limited	1741	8,725	160	(997)	2,191	10,079
China Green (Holdings) Limited	904	2,252	–	(394)	(967)	891
Optima Automobile Group Holdings Limited	8418	–	2,262	(8,754)	7,202	710
JLOGO Holdings Limited	8527	–	4,841	–	(841)	4,000
China Futex Holdings Limited	8506	–	3,001	(1,052)	260	2,209
Hing Ming Holdings Limited	8425	1,798	304	(2,937)	835	–
VSTECS Holding Limited	856	1,884	–	(1,574)	(310)	–
Others		409	1,640	(1,972)	257	334
Total		28,662	12,236	(17,982)	4,122	27,038

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 principally engages 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 Year.

OUTLOOK

Whilst the Group has ceased to provide services which are governed by the Measures to its customers after the Cessation of Agreements, the Remaining Customer still engages the Group for services not governed by the Measures, the Group has also begun providing construction works to new customer. 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 and construction services is charged on a 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.

With the increase in demand for heating supply system in the PRC, such growing trend is expected to continue in coming years due to rapid urbanisation and the implementation of environmental regulations to facilitate the process of boiler conversions from coal to natural gas in the PRC. The Group intends to cooperate with business partners in the relevant area so as to utilise the resources and strengths of each parties with an aim to expand the Group's business scope and market share on heat supply business. Further, in line with the Group's strategy to develop its environmental friendly heating supply business, the Group is seeking for opportunities for further expansion of its heating supply business in more profitable areas such as Beijing. To this end, the Group has been negotiating with a new customer in respect of provision of heating supply in Beijing yet no formal agreement has been entered into as at the date of this announcement.

Given the coronavirus pandemic has impacted on the economies of China and Hong Kong, the Group will continue to enhance the control over the making of loans as well as monitoring its outstanding loans receivables 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group held cash and cash equivalents of approximately HK$122.08 million (2019: HK$151.11 million). Net current assets amounted to approximately HK$343.26 million (2019: HK$497.27 million). As at 30 June 2020, the current ratio (defined as total current assets divided by total current liabilities) was approximately 2.95 times (2019: 8.21 times). The decrease of the current ratio was mainly due to the reclassification of promissory notes of HK$123.10 million due on 31 July 2020 from non-current liabilities to current liabilities. The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.33 (2019: 0.30). The Group did not have bank borrowing as at 30 June 2020 (2019: nil).

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 30 June 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 announcement, the remaining balance was deposited into the banks.

SHARE CAPITAL

As at 1 July 2019 and 30 June 2020, the authorised share capital of the Company was HK$1,500,000,000 divided into 30,000,000,000 shares of the Company of HK$0.05 each ("Share(s)"). As at 1 July 2019 and 30 June 2020, the issued share capital of the Company was approximately HK$374,628,000 divided into 7,492,562,338 shares.

EXCHANGE EXPOSURE

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

MATERIAL ACQUISITION AND DISPOSALS

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

LITIGATIONS

There were no material litigations during the Year.

CAPITAL COMMITMENT

As at 30 June 2020, the Group had a capital commitment contracted for but not provided in the financial statements in respect of capital injection in an investee amounted to HK$19.73 million.

PLEDGE OF ASSETS

As at 30 June 2020, none of the assets of the Group were pledged as security for any banking facilities.

EMPLOYEE INFORMATION

As at 30 June 2020, there were 606 (30 June 2019: 1,569) staff members employed by the Group. The significant decrease in the number of employees are mainly due to the downsizing of the Group's coal mining workers as a result of the Cessation of Agreements.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities.

DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

OTHER INFORMATION

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

As at 30 June 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 30 June 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	512,240,000	6.84%
Zhou Jiao *(Note 1)*	Held by controlled entity	511,320,000	6.82%
159 Anti-Aging Health Group Ltd. *(Note 1)*	Beneficial owner	511,320,000	6.82%
XU, Gongming	Beneficial owner	12,000,000	0.16%
XU, Gongming *(Note 2)*	Held by controlled entity	660,060,000	8.81%
Zheng He Industrial Group Limited *(Note 2)*	Beneficial owner	660,060,000	8.81%
WEI Kai	Beneficial owner	379,520,000	5.07%
Full Ying Holdings Limited	Beneficial owner	443,480,000	5.92%

Note 1: Zhou Jiao is deemed to be interested in 511,320,000 shares held by 159 Anti-Aging Health Group Ltd., the company is incorporated in the British Virgin Islands and are wholly and beneficially owned by Zhou Jiao.

Note 2: XU, Gongming is deemed to be interested in 660,060,000 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 30 June 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.

Directors' and Controlling Shareholders' Interests in Contracts

There were no contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

Share Options Scheme

Pursuant to an ordinary resolution passed by the then sole shareholder of the Company on 20 April 2004, the Company had adopted a share options scheme (the "2004 Share Options Scheme"), pursuant to which the Board was authorised to grant options to the eligible participants for the period of 10 years from 20 April 2004. The 2004 Share Options Scheme expired on 19 April 2014 and no further options can be granted pursuant to the 2004 Share Options Scheme. No options under the 2004 Share Options Scheme are currently outstanding.

As the 2004 Share Options Scheme expired on 19 April 2014, an ordinary resolution for the adoption of a new share options scheme was passed by the shareholders of the Company at the annual general meeting of the Company held on 12 December 2014 (the "2014 AGM"), thereby allowing the Company to grant options for subscription of up to a total of 533,250,233 shares of the Company, representing 10% of the 5,332,502,338 shares of the Company in issue as at the date of the 2014 AGM. The new share options scheme will enable the Company to reward and provide incentives to, and strengthen the Group's business relationship with, the eligible participants who may contribute to the growth and development of the Group. No options have been granted under the new share options scheme as at the date of this announcement.

Competing Interests

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

Purchase, Sale or Redemption of Company's Listed Securities

The Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Compliance with code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

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

Audit Committee

The Company has established the audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises four independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang, Ms. Feng Jibei and Mr. Chen Xier.

The Group's consolidated financial statements for the year ended 30 June 2020 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.

Review of the Results Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

Hong Kong, 25 September 2020

As at the date of this announcement, the Board of the Company, comprises (i) five executive directors namely, Mr. Cai Da, Mr. Li Xianghong, Mr. Chen Youhua, 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.