



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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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 2023, together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2023

		Three months ended		Six months ended	
		31 December		31 December	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	1,478,998	1,437,847	2,908,186	2,426,138
Cost of services rendered		<u>(1,471,380)</u>	<u>(1,437,089)</u>	<u>(2,892,331)</u>	<u>(2,421,654)</u>
Gross profit		7,618	758	15,855	4,484
Other income	5	2,421	1,414	3,400	2,195
Other (loss)/gain		(2,628)	827	(5,026)	(4,143)
Administrative and other operating expenses		(9,487)	(13,038)	(19,033)	(24,517)
Reversal of impairment loss recognized in respect of trade and other receivables		-	7,252	-	7,252
Finance costs	7	<u>(251)</u>	<u>(268)</u>	<u>(573)</u>	<u>(736)</u>
Loss before taxation		(2,327)	(3,055)	(5,377)	(15,465)
Income tax expense	8	<u>(1,032)</u>	<u>(336)</u>	<u>(1,173)</u>	<u>(1,833)</u>
Loss for the period	6	<u><u>(3,359)</u></u>	<u><u>(3,391)</u></u>	<u><u>(6,550)</u></u>	<u><u>(17,298)</u></u>

	<i>Note</i>	Three months ended		Six months ended	
		31 December		31 December	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:					
– Owners of the Company		(3,338)	(2,964)	(6,405)	(16,202)
– Non-controlling interests		(21)	(427)	(145)	(1,096)
		<u>(3,359)</u>	<u>(3,391)</u>	<u>(6,550)</u>	<u>(17,298)</u>
			(Restated)		(Restated)
Loss per share	<i>10</i>				
– Basic and diluted (<i>HK cents per share</i>)		<u>(0.89)</u>	<u>(0.79)</u>	<u>(1.71)</u>	<u>(4.32)</u>
Loss for the period		(3,359)	(3,391)	(6,550)	(17,298)
Other comprehensive income (expenses)					
for the period, net of tax					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>8,269</u>	<u>5,004</u>	<u>(1,758)</u>	<u>(13,864)</u>
Total comprehensive income (expense) for the period, net of income tax		<u><u>4,910</u></u>	<u><u>1,613</u></u>	<u><u>(8,308)</u></u>	<u><u>(31,162)</u></u>
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		4,777	2,021	(8,125)	(33,109)
Non-controlling interests		<u>133</u>	<u>(408)</u>	<u>(183)</u>	<u>1,947</u>
		<u><u>4,910</u></u>	<u><u>1,613</u></u>	<u><u>(8,308)</u></u>	<u><u>(31,162)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 and 30 June 2023

		As at 31 December 2023 (Unaudited) HK\$'000	As at 30 June 2023 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		12,471	14,447
Right-of-use assets		2,227	2,916
Deferred tax assets		3,717	3,782
		<u>18,415</u>	<u>21,145</u>
Current assets			
Inventories		1,153	2,330
Trade, bills and other receivables	11	233,245	222,513
Loan receivables	12	47,014	74,788
Contract assets		20,902	14,010
Financial assets at fair value through profit or loss		31,928	34,331
Restricted bank deposits		551	554
Pledged time deposit		–	5,540
Cash and cash equivalents		84,436	105,081
		<u>419,229</u>	<u>459,147</u>
Current liabilities			
Trade, bills and other payables	13	69,376	103,708
Lease liabilities		1,779	1,601
Short-term loan		13,678	13,296
Income tax payables		8,357	8,096
		<u>93,190</u>	<u>126,701</u>
Net current assets		<u>326,039</u>	<u>332,446</u>
Total assets less current liabilities		<u>344,454</u>	<u>353,591</u>
Non-current liabilities			
Lease liabilities		513	1,342
Net assets		<u><u>343,941</u></u>	<u><u>352,249</u></u>
Capital and reserves			
Share capital		74,926	74,926
Reserves		263,034	271,159
Equity attributable to owners of the Company		<u>337,960</u>	<u>346,085</u>
Non-controlling interests		<u>5,981</u>	<u>6,164</u>
Total equity		<u><u>343,941</u></u>	<u><u>352,249</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Distribution reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Retained earning (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
Balance at 1 July 2023 (Audited)	74,926	288,469	(39,977)	16,798	5,869	346,085	6,164	352,249
Loss for the period	-	-	-	-	(6,405)	(6,405)	(145)	(6,550)
Exchange differences on translating foreign operations	-	-	(1,720)	-	-	(1,720)	(38)	(1,758)
Total comprehensive expense for the period	-	-	(1,720)	-	(6,405)	(8,125)	(183)	(8,308)
Balance at 31 December 2023 (Unaudited)	<u>74,926</u>	<u>288,469</u>	<u>(41,697)</u>	<u>16,798</u>	<u>(536)</u>	<u>337,960</u>	<u>5,981</u>	<u>343,941</u>

For the six months ended 31 December 2022

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Distribution reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Retained earning (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
Balance at 1 July 2022 (Audited)	74,926	288,469	(20,114)	2,882	10,494	356,657	(3,623)	353,034
Loss for the period	-	-	-	-	(16,202)	(16,202)	(1,096)	(17,298)
Exchange differences on translating foreign operations	-	-	(16,907)	-	-	(16,907)	3,043	(13,864)
Total comprehensive (expense) income for the period	-	-	(16,907)	-	(16,202)	(33,109)	1,947	(31,162)
Balance at 31 December 2022 (Unaudited)	<u>74,926</u>	<u>288,469</u>	<u>(37,021)</u>	<u>2,882</u>	<u>(5,708)</u>	<u>323,548</u>	<u>(1,676)</u>	<u>321,872</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2023

	Six months ended	
	31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(30,711)	24,365
Net cash from (used in) investing activities	5,830	(16,130)
Net cash from (used in) financing activities	<u>1,470</u>	<u>(10,817)</u>
Net decrease in cash and cash equivalents	(23,411)	(2,582)
Cash and cash equivalents at beginning of period	105,081	156,490
Effect of foreign exchange rate changes	<u>2,766</u>	<u>(6,934)</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u><u>84,436</u></u>	<u><u>146,974</u></u>

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) trading of fresh produce and agricultural products, (ii) provision of coal mining and construction services; (iii) provision for heating supply services; and (iv) provision of money lending services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2023 (“**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 2023.

The Group has adopted and applied the new standards, amendments to standards and interpretations that has been issued and effective for the accounting periods beginning on 1 July 2023. The adoption of these new standards and amendments to standards has no material impact on the Group’s results and financial position. The Group has not early adopted these new standards, amendments to standards and interpretations which have been issued by HKICPA but are not yet effective.

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	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– Trading of fresh produce and agricultural products	1,445,586	1,384,171	2,832,914	2,361,693
– Provision of excavation works and construction works	32,393	49,765	72,970	58,771
– Provision for heating supply services	–	2,345	–	2,345
	<u>1,477,979</u>	<u>1,436,281</u>	<u>2,905,884</u>	<u>2,422,809</u>
Revenue from other source				
– Interest income from money lending business	1,019	1,566	2,302	3,329
	<u>1,478,998</u>	<u>1,437,847</u>	<u>2,908,186</u>	<u>2,426,138</u>

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:

- Trading of fresh produce and agricultural products – Provision of trading of fruit and agricultural products and general trading
- Coal mining and construction services – Provision of excavation works 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 revenue and results from continuing operations by reportable and operating segment:

For the six months ended 31 December 2023

	Trading of fresh produce and agricultural products (Unaudited) <i>HK\$'000</i>	Coal mining and construction services (Unaudited) <i>HK\$'000</i>	Money leading (Unaudited) <i>HK\$'000</i>	Heating supply services (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>2,832,914</u>	<u>72,970</u>	<u>2,302</u>	<u>-</u>	<u>2,908,186</u>
Segment results	<u>7,758</u>	<u>(6,808)</u>	<u>1,050</u>	<u>1,768</u>	<u>3,768</u>
Certain other income					822
Fair value changes on financial assets at FVTPL					(5,026)
Certain finance costs					(47)
Central administration costs					<u>(4,894)</u>
Loss before taxation					<u>(5,377)</u>

For the six months ended 31 December 2022

	Trading of fresh produce and agricultural products (Unaudited) <i>HK\$'000</i>	Coal mining and construction services (Unaudited) <i>HK\$'000</i>	Money leading (Unaudited) <i>HK\$'000</i>	Heating supply services (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>2,361,693</u>	<u>58,771</u>	<u>3,329</u>	<u>2,345</u>	<u>2,426,138</u>
Segment results	<u>2,517</u>	<u>(8,769)</u>	<u>949</u>	<u>(1,289)</u>	<u>(6,592)</u>
Certain other income					172
Fair value changes on financial assets at FVTPL					(4,143)
Certain finance costs					(576)
Central administration costs					<u>(4,326)</u>
Loss before taxation					<u>(15,465)</u>

5. OTHER INCOME

	Three months ended		Six months ended	
	31 December		31 December	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on bank deposits	359	196	832	258
Government grants	1,925	688	1,925	1,345
Gain on disposal of property, plant and equipment	–	–	450	–
Dividend income from equity securities	33	96	67	96
Handling income	–	206	–	206
Sundry income	104	228	126	290
	<u>2,421</u>	<u>1,414</u>	<u>3,400</u>	<u>2,195</u>

6. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	31 December		31 December	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	202	709	469	1,368
Depreciation of right-of-use assets	433	407	855	823
	<u>433</u>	<u>407</u>	<u>855</u>	<u>823</u>

7. FINANCE COSTS

	Three months ended		Six months ended	
	31 December		31 December	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on other borrowings	196	–	456	–
Interest expenses on discounted bills	–	22	–	38
Imputed interest in lease liabilities	55	21	117	47
Interest on amount due to a former noteholder	–	225	–	569
Other interest expense	–	–	–	82
	<u>251</u>	<u>268</u>	<u>573</u>	<u>736</u>

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 December		31 December	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong Profits Tax	–	5	–	5
– PRC	1,032	331	1,173	1,828
	<u>1,032</u>	<u>336</u>	<u>1,173</u>	<u>1,833</u>

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profit for the period ended 31 December 2023.

Under the two-tiered profit tax rates regime of Hong Kong Profit Tax, 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 Profit Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the period ended 31 December 2023.

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 period ended 31 December 2023 (2022: 25%). Certain subsidiaries were subject to EIT at a rate of 5% for RMB3 million of profits, as they were classified as a small and low profit enterprise during the period ended 31 December 2023 and 2022.

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

9. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2023 (2022: Nil).

10. 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:

	Three months ended 31 December 2023 (Unaudited) HK\$'000		Six months ended 31 December 2023 (Unaudited) HK\$'000	
		2022 (Unaudited) HK\$'000		2022 (Unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	(3,338)	(2,964)	(6,405)	(16,202)
	Number of Shares '000	Number of Shares '000 (Restated)	Number of Shares '000	Number of Shares '000 (Restated)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	374,628	374,628	374,628	374,628

The number of ordinary shares for the six months ended 31 December 2022 for the purpose of calculating basic and diluted loss per share have been adjusted for the capital reorganisation with effect from 28 April 2023.

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 31 December 2022 and 31 December 2023.

11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2023 (Unaudited) HK\$'000	As at 30 June 2023 (Audited) HK\$'000
Trade receivables	112,584	140,632
Less: allowance for impairment of trade receivables	(1,673)	(1,673)
	110,911	138,959
Bills receivables	–	1,108
Receivables arising from dealing in listed securities	386	3,066
Prepayments	87,518	44,180
Amount due from non-controlling interests	17,714	17,821
Other deposits paid, net of allowance for impairment	14,295	14,859
Other receivables, net of allowance for impairment	2,421	2,520
	233,245	222,513

All the bills receivables are aged within 180 days.

The Group grants a credit period of 30 days to its customers. The following is an aged analysis of trade receivables, net of accumulated impairment loss, presented based on the invoice date which approximated the date of revenue recognition:

	As at 31 December 2023 (Unaudited) HK\$'000	As at 30 June 2023 (Audited) HK\$'000
0-30 days	88,412	95,494
31-60 days	6,526	13,822
61-90 days	607	27,449
91-180 days	–	2,059
181-365 days	15,231	135
Over 1 year	135	–
	<u>110,911</u>	<u>138,959</u>

12. LOAN RECEIVABLE

The following is an ageing analysis of the loan receivables based on the initial loan commencement dates as set out in the relevant contracts after expected credit loss allowance:

	As at 31 December 2023 (Unaudited) HK\$'000	As at 30 June 2023 (Unaudited) HK\$'000
Within 90 days	–	2,670
90 to 180 days	6,460	2,278
181 to 365 days	4,999	15,013
Over 1 year	35,555	54,827
	<u>47,014</u>	<u>74,788</u>
Total	<u>47,014</u>	<u>74,788</u>

13. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December 2023 (Unaudited) <i>HK\$'000</i>	As at 30 June 2023 (Audited) <i>HK\$'000</i>
Trade payables	37,101	68,148
Bills payables	–	5,540
Deposits received	–	645
Accrued mining service costs on excavation works	416	211
Accrued staff costs	19,623	18,078
Other tax payables	5,375	6,002
Accrued expenses	727	1,580
Other payables	6,134	3,504
	<u>69,376</u>	<u>103,708</u>

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 and bills payables based on the invoice date:

	As at 31 December 2023 (Unaudited) <i>HK\$'000</i>	As at 30 June 2023 (Audited) <i>HK\$'000</i>
0-30 days	4,805	44,111
31-60 days	3	–
61-90 days	4	4,207
Over 90 days	32,289	25,370
	<u>37,101</u>	<u>73,688</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the six months ended 31 December 2023 (the “**Period**”), the Group recorded a revenue of approximately HK\$2,908.19 million (2022:HK\$2,426.14 million), representing an increase of approximately 20% as compared with that of the corresponding period in 2022. The increase in revenue was mainly contributed by the trading of fresh produce and agricultural products segment. The Group’s gross profit and its overall gross profit margin increased from HK\$4.48 million and 0.18% for the corresponding period in 2022 to HK\$15.86 million and 0.54% for the Period respectively. The increase in gross profit and gross profit margin was mainly due to the improvements in performance of the provision of coal mining services and construction services segment and the trading of fresh produce and agricultural products segment.

The Group recorded other income, which mainly comprised interest income and government grants, in the amount of approximately HK\$3.40 million (2022: HK\$2.20 million) for the Period. The increase in other income was mainly due to the increase in interest income as a result of a rise in of deposit rate and more grant was received from local government of the PRC. The Group recorded a loss of HK\$5.03 million (2022: HK\$4.14 million) from investments in listed securities as a result of market volatility during the Period.

The Group recorded administrative and other operating expenses in the amount of HK\$19.03 million (2022: HK\$24.52 million) and finance costs in the amount of HK\$0.57 million (2022: HK\$0.74 million). Income tax expenses decreased by HK\$0.66 million to HK\$1.17 million (2022: HK\$1.84 million) as certain subsidiaries in the PRC were classified as a small and low profit enterprise and hence were subject to a lower tax rate.

In conclusion, the loss attributable to owners of the Company for the Period decreased by HK\$9.80 million to approximately HK\$6.40 million (2022: HK\$16.20 million). The decrease in loss was mainly due to the increase in gross profit from HK\$4.48 million to HK\$15.86 million during the Period.

Provision of coal mining services and construction services

The revenue of this segment comprises service income from excavation works and provision of construction works. During the Period, the Group provided coal mining & construction services to two customers which generated a revenue of approximately HK\$72.97 million (2022: HK\$58.77 million), accounting for 2.51% of the Group’s total revenue. During the Period, one of the service contracts with a customer was terminated as the services for pre-extraction stage of a mine was completed in December 2023, and the mine owner decided to carry out production by itself and the Group’s service was no longer necessary. This segment recorded a loss of approximately HK\$6.81 million (2022: HK\$8.77 million).

Money lending business

During the Period, the revenue from loan interest income was approximately HK\$2.30 million (2022: HK\$3.33 million) which accounted for 0.08% of the Group's total revenue. The decrease in revenue in this segment was mainly attributable to the decline in loan balances as the Group was more cautious in granting new loans. As at 31 December 2023, the net balance of the loan receivables was approximately HK\$47.01 million (30 June 2023: HK\$74.79 million). This segment recorded a profit of approximately HK\$1.05 million during the Period (2022: HK\$0.95 million).

The Group operates its money lending business in Hong Kong through an indirect wholly-owned subsidiary of the Company, which is a licensed money lender under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong), and in the PRC through another indirect wholly-owned subsidiary of the Company respectively. Loan financing is the only money lending service provided by the Group. Individual borrowers accounted for approximately 78% of the customers of the Group's money lending business, while the rest are corporate borrowers. Customers of the Group are mainly introduced through business or personal networks or referral from business counterparts of the Group. The outstanding balances of the loans granted ranged from approximately HK\$0.3 million to HK\$6.9 million with the interest rate ranging from 6.0% to 18.0% per annum. The loans granted by the Group are short-term and all of the outstanding loans originally have a term of no more than one year but certain loans were overdue. The Group does not have a specific target loan size but assesses each application on the basis of its merit and will determine whether security in the form of legal charge on property or personal guarantee provided by independent third party would be required. Save for a loan of approximately HK\$2.80 million (net of impairment) which was secured by a second charge on a property, the remaining loans granted by the Group are not secured by collateral security. However, a number of the outstanding loans are secured by personal guarantees provided by independent third parties. As at 31 December 2023, the Group's largest customer and the top five customers of this segment in aggregate constituted approximately 11.04% and 50.88% of the total loan and interest receivables respectively.

The Group continues to monitor the recoverability of its loans through regular communication with borrowers regarding their latest financial position and review of the borrowers' credit profile and will take any necessary follow-up action to secure the borrowers' repayment.

Provision of heating supply

Affected by the rising international commodity and energy prices and the high volatility in the prices of gas, the Group has terminated the services in Tianjin and temporarily suspended its heating supply services since May 2023. During the Period, no revenue (2022: HK\$2.35 million) was recorded by the Group from the provision of heating supply services segment. Nonetheless, the Group has received a subsidy of approximately HK\$1.93 million as other income from the PRC government for the services provided in the previous year.

The Group will continue to monitor and assess market condition to consider if it would be appropriate to resume operation of the segment. During the Period, no revenue was recorded in this segment.

Trading of fresh produce and agricultural products and general trading

The Group mainly sourced quality live pigs and cattle from renowned suppliers and farms in Guangxi, Jiangxi and Hunan, and sold them to cities in Guangdong Province such as Shenzhen, Huizhou, Dongguan. Besides, the Group expanded the scope of the trading business to agricultural products such as eggs. During the Period, the Group recorded a revenue of approximately HK\$2,832.91 million (2022: HK\$2,361.69 million), which accounted for 97.41% of the Group's total revenue, and a segment profit of HK\$7.62 million (2022: HK\$2.52 million). The increase in revenue and gross profit was mainly due to the segment achieving operational maturity during the Period. At 31 December 2023, trade receivables of approximately RMB12.97 million owed by a customer to the Group was overdue for over eight months. The directors are considering taking appropriate actions such as legal action to recover the trade receivables. Whereas non-recovery of such trade receivables may affect the performance of the Group, the directors do not consider this will materially affect the financial positions of the Group.

Investment in listed securities

As at 31 December 2023, the Group invested in securities listed in Hong Kong (i.e. financial assets at fair value through profit and loss (“FVTPL”)), the financial assets at FVTPL amounted to approximately HK\$31.93 million (30 June 2023: HK\$34.33 million). During the Period, the Group recorded a loss of fair value change on financial assets at FVTPL of approximately HK\$5.03 million (2022: HK\$4.14 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Carrying amount as at 01/07/2023 <i>HK\$'000</i>	Costs of acquisition during the Period <i>HK\$'000</i>	Proceeds from disposal during the Period <i>HK\$'000</i>	Fair value gain/(loss) during the Period <i>HK\$'000</i>	Market Value as at 31/12/2023 <i>HK\$'000</i>
Best Food Holding Company Limited (“Best Food”)	1488	26,947	6,731	–	(5,444)	28,234
UTS Marketing (“UTS”)	6113	1,704	170	–	403	2,277
GuangDong Investment Limited (“GD Inv”)	270	–	1,023	–	(12)	1,011
Binhai Investment Company Limited	2886	2,950	–	(2,920)	(30)	–
Shenzhen Aisidi Co. Ltd	002416	634	443	(1,040)	(37)	–
Royal Group Holdings International Company Limited	8300	–	664	(1,118)	454	–
China Hongbao Holdings Limited	8316	–	1,859	(1,660)	(199)	–
Others		2,096	279	(1,808)	(161)	406
Total		<u>34,331</u>	<u>11,169</u>	<u>(8,546)</u>	<u>(5,026)</u>	<u>31,928</u>

Outlook

One of the management contracts signed between the mine owner and the Group was terminated in December 2023 and the Group continued to face the challenges of increasing production costs, intense market competition and strict regulations imposed by the PRC government. Besides, the profit margin in respect of the remaining management contract with another customer is not high. The Board expects the revenue from the provision of coal mining and construction services will decrease in the coming half year. Given the income from the provision of coal-mining services 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 with new projects. Accordingly, the Group has been actively pursuing new customers so as to enlarge its customer base.

The Group will continue to exercise significant control over the granting of loans as well as monitor its outstanding loans receivables to minimise credit risk with respect to its money lending business.

The Group has temporarily suspended the segment of provision of heating supply services, but may resume if good investment opportunities in this industry are identified.

The Directors remained optimistic about the growing purchasing power and rising living standard of the population of the PRC and the business prospect of trading of fresh produce and agricultural products. The Directors are of the view that such business is the main driver for the growth of the Group and are also confident that this will help diversify the Group's business and generate more income and increase the profit margin of the Group in the long run. After carrying on the agricultural product trade business for more than a year, the Group has established a good cooperative relationship with the suppliers, and has built a business network in the industry, and intends to penetrate into their market by establishing food processing factories for processing fresh agricultural products such as pigs, cattle, sheep, and eggs in the cities such as Huizhou and Bao'an in Guangdong. The Group intends to sell through wholesale, retail and online shopping platforms, targeting supermarkets, company canteens, community stores for community residents, and online shopping by individuals.

Subject to the availability of resources, and should suitable investment and business opportunities arise, the Group may consider acquiring assets/business in new industries in order to enhance its financial performance as well as value to the shareholders of the Company.

Exchange exposure

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

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 2023, the Group held cash and cash equivalents of approximately HK\$84.44 million (30 June 2023: HK\$105.08 million). Net current assets amounted to approximately HK\$326.04 million (30 June 2023: HK\$332.45 million). As at 31 December 2023, the current ratio (defined as total current assets divided by total current liabilities) was approximately 4.50 times (30 June 2023: 3.62 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.21 (30 June 2023: 0.27). The Group did not have bank borrowing as at 31 December 2023 (30 June 2023: Nil).

Pledge of assets

As at 31 December 2023, a bank deposit of RMB500,000 was held by a bank as security for the issue of customs guarantee to the PRC customs department.

Other Borrowing

As at 31 December 2023, an unsecured borrowing of approximately RMB12,000,000 with a fixed rate of 5.5% per annum was provided by an independent third party for financing the Group's operation.

Employee information

As at 31 December 2023, there were 149 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 2023, the Group had no significant contingent liabilities.

Litigations

There were no material litigations during the Period.

OTHER INFORMATION

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

As at 31 December 2023, 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 Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporation.

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

As at 31 December 2023, 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\$0.20 each of the Company

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
XU, Gongming	Beneficial owner	600,000	0.16%
XU, Gongming (Note 1)	Held by controlled entity	110,069,000	29.38%
Redwood Bay Investment Group International Company Limited (Note 1)	Beneficial owner	110,069,000	29.38%
YAN, Weiwei (Note 2)	Held by controlled entity	74,474,000	19.88%
Star Link Technology Limited (Note 2)	Beneficial owner	74,474,000	19.88%

Note 1: XU, Gongming is deemed to be interested in 110,069,000 shares held by Redwood Bay Investment Group International Company Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by XU, Gongming.

Note 2: YAN, Weiwei is deemed to be interested in 74,474,000 shares held by Star Link Technology Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by YAN, Weiwei.

Save as disclosed above, as at 31 December 2023, 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 Option Scheme

The Company has adopted a share options scheme as approved by the shareholders of the Company (the “**Share Options Scheme**”) at the annual general meeting of the Company held on 12 December 2014, pursuant to which the Company may grant share options, upon the exercise of which a total of 26,662,511 shares of the Company could be issued, representing approximately 7.12% of the issued shares of the Company at the date of this announcement. The 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 Share Options Scheme since its adoption and there was no outstanding options as at 31 December 2023.

Competing interests

During the Period, 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 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 with all the Directors, and the Directors have confirmed that they 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 2023. There is no other information required to be disclosed pursuant to Rule 17.50A (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. Pursuant to code provision A.2.1 of the Code on Corporate Governance (“**Corporate Governance Code**”) as set out in Appendix C1 to the GEM Listing Rules, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cai Da, the chairman of the Company, who is responsible for providing leadership to and ensuring the effectiveness of the Board, and performing the roles of the chairman for the purposes of the articles of association of the Company, the Corporate Governance Code and the GEM Listing Rules, for overall leadership in the strategic development of the business of the Group. Following the resignation of the chief executive officer of the Company in January 2021, the Board has not yet appointed a new chief executive of the Company. Currently, the duties of the chief executive have since then been undertaken by the executive directors of the Company collectively. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post if a suitable candidate is selected to meet the expansion of the Group and so comply with code provision C.2.1 of the Corporate Governance Code. Save as disclosed above, the Company has complied with all the code provisions and, where appropriate, the applicable recommended best practices of the Corporate Governance Code during the Period.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance 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 chairperson), Mr. Chen Xier, Mr. Huang Tianhua and Ms. Lei Ming.

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

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

Hong Kong, 6 February 2024

As at the date of this announcement, the Board of the Company, comprises (i) three executive directors namely, Mr. Cai Da, Mr. Li Wai Hung and Mr. Wang Tong Tong; and (ii) four independent non-executive Directors namely, Ms. Wong Na Na, Mr. Chen Xier, Mr. Huang Tianhua and Ms. Lei Ming.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at <http://www.silkroadenergy.com.hk>.