

# 2021/22

INTERIM REPORT



絲路能源服務集團有限公司  
Silk Road Energy Services Group Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 8250)

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# CONTENTS

Corporate Information	3
Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	22
Other Information	35

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

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

#### **Independent Non-Executive Directors**

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

### **AUDIT COMMITTEE**

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

### **REMUNERATION COMMITTEE**

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

### **NOMINATION COMMITTEE**

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

### **COMPANY SECRETARY**

Mr. Ngai Man Wo

### **AUTHORISED REPRESENTATIVES**

Mr. Cai Da  
Mr. Ngai Man Wo

### **COMPLIANCE OFFICER**

Mr. Cai Da

### **REGISTERED OFFICE**

PO Box 309, Uglan House  
Grand Cayman, KY1-1104  
Cayman Islands

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

16/F,  
Sing-Ho Finance Building  
166–168 Gloucester Road  
Hong Kong

## **AUDITOR**

SHINEWING (HK) CPA Limited,  
*Certified Public Accountants*  
43/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## **PRINCIPAL BANKERS**

Dah Sing Bank Limited  
Hang Seng Bank Limited

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Maples Corporate Services Limited  
PO Box 309, Ugland House  
South Church Street, George Town  
Grand Cayman, KY1-1104  
Cayman Islands

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 December 2021, together with the comparative unaudited figures for the corresponding periods in 2020 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months and six months ended 31 December 2021*

	Notes	Three months ended 31 December		Six months ended 31 December	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	<b>27,861</b>	56,494	<b>51,113</b>	82,781
Cost of services rendered		<b>(24,104)</b>	(43,384)	<b>(44,997)</b>	(62,609)
Gross profit		<b>3,757</b>	13,110	<b>6,116</b>	20,172
Other income	5	<b>2,367</b>	617	<b>3,118</b>	4,167
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		<b>1,841</b>	2,143	<b>4,041</b>	(7,269)
Administrative and other operating expenses		<b>(12,046)</b>	(11,577)	<b>(22,788)</b>	(21,782)
Finance costs	7	<b>(368)</b>	(550)	<b>(845)</b>	(1,533)
(Loss) profit before taxation		<b>(4,449)</b>	3,743	<b>(10,358)</b>	(6,245)
Income tax expense	8	<b>(694)</b>	(1,838)	<b>(1,063)</b>	(2,689)
(Loss) profit for the period	6	<b>(5,143)</b>	1,905	<b>(11,421)</b>	(8,934)

	Note	Three months ended 31 December		Six months ended 31 December	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
(Loss) profit for the period attributable to:					
– Owners of the Company		(4,940)	2,107	(11,136)	(8,660)
– Non-controlling interests		(203)	(202)	(285)	(274)
		(5,143)	1,905	(11,421)	(8,934)
<b>(Loss) earning per share</b>	10				
– Basic and diluted (HK cents per share)		(0.07)	0.03	(0.15)	(0.12)
(Loss) profit for the period		(5,143)	1,905	(11,421)	(8,934)
<b>Other comprehensive income for the period, net of tax</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		5,474	14,592	6,415	27,742
<b>Total comprehensive income (expense) for the period, net of income tax</b>		331	16,497	(5,006)	18,808
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		545	16,490	(4,710)	18,817
Non-controlling interests		(214)	7	(296)	(9)
		331	16,497	(5,006)	18,808

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 and 30 June 2021

		As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		14,220	15,277
Customer contracts		–	–
Right-of-use assets		647	906
Deferred tax assets		3,172	2,944
		<b>18,039</b>	19,127
<b>Current assets</b>			
Trade, bills and other receivables	11	88,484	111,952
Loan receivables		151,196	142,002
Contract assets		19,790	12,980
Amount due from an associate		26	18,380
Financial assets at fair value through profit or loss		32,098	27,329
Cash and cash equivalents		168,131	167,149
		<b>459,725</b>	479,792
<b>Current liabilities</b>			
Trade and other payables	12	52,751	42,715
Contract liabilities		3,791	–
Lease liabilities		4,657	3,118
Amount due to a former noteholder		41,201	77,386
Income tax payables		8,458	7,679
		<b>110,858</b>	130,898



Notes	<b>As at 31 December 2021 (Unaudited) HK\$'000</b>	As at 30 June 2021 (Audited) HK\$'000
Net current assets	<b>348,867</b>	348,894
Total assets less current liabilities	<b>366,906</b>	368,021
<b>Non-current liabilities</b>		
Lease liabilities	<b>98</b>	2,190
<b>Net assets</b>	<b>366,808</b>	365,831
<b>Capital and reserves</b>		
Share capital	<b>74,926</b>	74,926
Reserves	<b>286,129</b>	290,839
<b>Equity attributable to owners of the Company</b>	<b>361,055</b>	365,765
<b>Non-controlling interests</b>	<b>5,753</b>	66
<b>Total equity</b>	<b>366,808</b>	365,831

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

	Attributable to owners of the Company							
	Share capital	Distribution reserve	Foreign currency translation reserve	Other reserve	Retained earning (accumulated losses)	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2021 (Audited)	74,926	288,469	(19,969)	2,882	19,457	365,765	66	365,831
Loss for the period	-	-	-	-	(11,136)	(11,136)	(285)	(11,421)
Exchange differences on translating foreign operations	-	-	6,426	-	-	6,426	(11)	6,415
Total comprehensive income (expense) for the period	-	-	6,426	-	(11,136)	(4,710)	(296)	(5,006)
Capital contribution by non-controlling interest	-	-	-	-	-	-	5,983	5,983
Balance at 31 December 2021 (Unaudited)	74,926	288,469	(13,543)	2,882	8,321	361,055	5,753	366,808

*For the six months ended 31 December 2020*

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	<b>5,746</b>	77,531
Net cash from (used in) investing activities	<b>32,872</b>	(1,057)
Net cash used in financing activities	<b>(36,074)</b>	(46,855)
Net increase in cash and cash equivalents	<b>2,544</b>	29,619
Cash and cash equivalents at beginning of period	<b>167,149</b>	122,081
Effect of foreign exchange rate changes	<b>(1,562)</b>	6,498
Cash and cash equivalents at end of period, represented by bank balances and cash	<b>168,131</b>	158,198

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2021 ("**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 2021.

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 2021. 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 31 December		Six months ended 31 December	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– Provision of excavation works and construction works	20,171	51,462	40,343	73,979
– Provision for heating supply services	2,500	2,509	2,500	2,509
– Trading of fruits	1,932	–	1,932	–
	<b>24,603</b>	53,971	<b>44,775</b>	76,488
Revenue from other source				
– Interest income from money lending services	3,258	2,523	6,338	6,293
	<b>27,861</b>	56,494	<b>51,113</b>	82,781

### 4. SEGMENT INFORMATION

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

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

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

### 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 2021*

	Coal mining and construction services (Unaudited) HK\$'000	Money leading services (Unaudited) HK\$'000	Heating supply services (Unaudited) HK\$'000	Trading of fruits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue</b>	<b>40,343</b>	<b>6,338</b>	<b>2,500</b>	<b>1,932</b>	<b>51,113</b>
<b>Segment results</b>	<b>(9,530)</b>	<b>2,617</b>	<b>(2,294)</b>	<b>(105)</b>	<b>(9,312)</b>
Certain other income					77
Fair value changes on financial assets at FVTPL					4,041
Certain finance costs					(733)
Central administration costs					(4,431)
<b>Loss before taxation</b>					<b>(10,358)</b>

For the six months ended 31 December 2020

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



## 5. OTHER INCOME

	Three months ended		Six months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	83	310	169	497
Handling income	1,527	23	2,115	1,151
Government grants	757	-	757	268
Dividend income from equity securities	-	-	77	-
Leasing income from machinery	-	18	-	886
Gain on disposal of property, plant and equipment	-	17	-	830
Sundry income	-	249	-	535
	<b>2,367</b>	617	<b>3,118</b>	4,167

## 6. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended		Six months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	605	536	1,399	1,221
Depreciation of right-of-use assets	130	349	259	581

## 7. FINANCE COSTS

	Three months ended		Six months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on amount due to a former noteholder	307	583	712	1,014
Interest expenses on discounted bills	1	69	14	120
Imputed interest in lease liabilities	60	12	119	23
Imputed interest on promissory note	-	(114)	-	376
	<b>368</b>	550	<b>845</b>	1,533

## 8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current profits tax:</b>				
- Hong Kong Profits Tax	26	36	54	105
- PRC	668	1,802	1,009	2,584
	<b>694</b>	1,838	<b>1,063</b>	2,689

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 period ended 31 December 2021 (2020: 25%). 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 2021 (2020: Nil).

## 10. (LOSS) EARNING PER SHARE

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

Three months ended		Six months ended	
31 December		31 December	
2021	2020	2021	2020
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000

### (Loss) profit

(Loss) profit for the purpose of basic and diluted (loss) earning per share ((loss) profit for the period attributable to owners of the Company)

<b>(4,940)</b>	2,107	<b>(11,136)</b>	(8,660)
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	Three months ended		Six months ended	
	31 December		31 December	
	Number of Shares '000	Number of Shares '000	Number of Shares '000	Number of Shares '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earning per share	<b>7,492,562</b>	7,492,562	<b>7,492,562</b>	7,492,562

Diluted (loss) earning per share was the same as the basic (loss) earning per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 31 December 2020 and 31 December 2021.

## 11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Trade receivables	<b>67,293</b>	89,630
Less: allowance for impairment of trade receivables	<b>(32,465)</b>	(32,465)
	<b>34,828</b>	57,165
Bills receivables	<b>14,338</b>	16,586
Deposit paid for fund investment	–	9,713
Receivables arising from dealing in listed securities	<b>1,925</b>	2,739
Prepayments	<b>11,692</b>	2,266
Other deposits paid, net of allowance for impairment	<b>21,532</b>	20,204
Other receivables, net of allowance for impairment	<b>4,169</b>	3,279
	<b>88,484</b>	111,952

All the bills receivables are aged within 180 days.

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

	<b>As at 31 December 2021 (Unaudited) HK\$'000</b>	As at 30 June 2020 (Audited) HK\$'000
0–30 days	<b>5,525</b>	2,128
31–60 days	<b>4,506</b>	8,654
61–90 days	<b>4,407</b>	6,822
91–180 days	<b>43</b>	6,622
181–365 days	<b>4,394</b>	14,028
Over 1 year	<b>15,953</b>	18,911
	<b>34,828</b>	57,165

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

## 12. TRADE AND OTHER PAYABLES

	<b>As at 31 December 2021 (Unaudited) HK\$'000</b>	As at 30 June 2021 (Audited) HK\$'000
Trade payables	<b>8,373</b>	6,869
Deposits received	<b>3,357</b>	1,022
Accrued mining service costs on excavation works	<b>1,070</b>	750
Accrued staff costs	<b>25,985</b>	21,693
Other tax payables	<b>9,318</b>	9,931
Interest payable	<b>–</b>	1,482
Other payables	<b>4,648</b>	968
	<b>52,751</b>	42,715

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

	<b>As at 31 December 2021 (Unaudited) HK\$'000</b>	As at 30 June 2021 (Audited) HK\$'000
0-30 days	<b>3,977</b>	5,415
31-60 days	<b>748</b>	447
61-90 days	<b>215</b>	-
Over 90 days	<b>3,433</b>	1,007
	<b>8,373</b>	6,869

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business and financial review

For the six months ended 31 December 2021 (the “**Period**”), the Group recorded a revenue of approximately HK\$51.11 million (2020: HK\$82.78 million), representing a decrease of 38.26% as compared with that of the corresponding period in 2020. The decrease in revenue was mainly due to a project for providing coal mining services to a customer having been completed and not recording any revenue during the Period. The Group’s gross profit and its overall gross profit margin decreased from HK\$20.17 million and 24.37% for the six months ended 31 December 2020 to HK\$6.12 million and 11.97% for the Period respectively. The decreases were mainly due to the decline in revenue and increase in gas costs.

The Group recorded other income, which mainly comprised of the handling income for coal packing services, government grants and interest income, in the amount of approximately HK\$3.12 million (2020: HK\$4.17 million) for the Period. The decrease of other income is mainly due to the absence of leasing income from machinery (2020: HK\$0.89 million) and a gain on disposal of assets (2020: HK\$0.83 million).

The Group recorded a gain of HK\$4.04 million (2020: loss of HK\$7.27 million) of fair value change on financial assets at fair value through profit or loss, which was attributable to gain from investments in listed securities. The Group recorded administrative and other operating expenses in the amount of HK\$22.79 million (2020: HK\$21.78 million). The administrative and other operating expenses is similar to that incurred in the corresponding period in 2020. The Group recorded finance costs in the amount of HK\$0.85 million (2020: HK\$1.53 million). The decrease in finance costs was mainly due to the absence of imputed interest on promissory notes and the repayments of amount due to a former note holder. The Group recorded income tax expense in the amount of HK\$1.06 million (2020: HK\$2.69 million), the decrease in taxation is in line with the decrease in operating profit.

In conclusion, loss attributable to owners of the Company for the Period amounted to approximately HK\$11.14 million (2020: HK\$8.66 million). The increase in loss was mainly due to the decrease in gross profit.

## **Provision of coal mining & construction services**

The major revenue of this segment comprises of service income from excavation works and provision of construction works. During the Period, the Group's provision of coal mining & construction services to two customers recorded a revenue of approximately HK\$40.34 million (2020: HK\$73.98 million) which accounted for 78.93% of the Group's total revenue. This segment recorded a loss of approximately HK\$9.53 million during the Period.

## **Money lending business**

The Group operates its money lending business 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). The Group also granted loans to third parties in the PRC through its subsidiaries in Mainland China. During the Period, the revenue from loan interest income was approximately HK\$6.34 million (2020: HK\$6.29 million) which accounted for 12.40% of the Group's total revenue. The interest rate charged by the Group ranged from 5% to 18% per annum. Save for a loan of HK\$3 million which was secured by a second charge on property, all loans extended by the Group were unsecured. This segment recorded a profit of approximately HK\$2.62 million during the Period.

## **Provision for heating supply**

The Group provides heating supply services to customers in Tianjin, the PRC. During the Period, the Group recorded a revenue of approximately HK\$2.50 million (2020: HK\$2.51 million) from the provision of heating supply services, which accounted for 4.89% of the Group's total revenue. Notwithstanding that the provision for heating supply service recorded a high gross loss margin due to the high price of gas, the Group has received a subsidy of HK\$0.76 million as other income from the PRC government and expected that more subsidies will be received to cover the gross loss. The actual amount which may be received was not determinable as at the date of this report. After taking into account the relevant administrative costs, the Group recorded a loss of approximately HK\$2.29 million in this segment during the Period.



## Trading of fruits

During the Period, the Group has diversified into the business of trading of fruits through investment in a joint venture with an individual who has extensive experience in this field. (For details, please refer to the Company's announcement dated 23 November 2021). The entity became an indirect non wholly-owned subsidiary of the Group after completion of the acquisition of 51% equity interest of the entity at the end of November 2021. The Group imported fruits, mainly durians, from Thailand to the PRC. The Group recorded a revenue of approximately HK\$1.93 million from the trading of fruits and recorded a loss of approximately HK\$0.1 million during the Period.

## Investment in listed securities

As at 31 December 2021, the Group invested in securities listed in Hong Kong, the United States and the PRC markets (i.e. financial assets at fair value through profit and loss ("FVTPL")), the financial assets at FVTPL amounted to approximately HK\$32.10 million (30 June 2021: HK\$27.33 million). During the Period, the Group recorded a gain of fair value change on financial assets at FVTPL of approximately HK\$4.04 million (2020: loss of HK\$7.27 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Notes	Carrying amount as at 01/07/2021	Costs of acquisition during the Period	Proceeds		Fair value gain/(loss) during the Period	Market Value as at 31/12/2021
					from disposal during the Period	HK\$'000		
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Best Food Holding Company Limited ("Best Food")	1488	1	8,154	2,330	–	5,056	15,540	
Binhai Investment Company Limited ("Binhai")	2886	2	4,841	1,043	(190)	(3)	5,691	
UTS Marketing ("UTS")	6113	3	169	1,693		27	1,889	
Baidu Inc ("Baidu")	BIDU	4	–	6,293	(892)	(528)	4,873	
Shenzhen Aisidi Co. Ltd ("Aisidi")	002416	5	–	1,432	–	(40)	1,392	
Ri Ying Holdings Limited	1741		6,837	–	(6,103)	(734)	–	
Quantong Holdings Ltd.	8316		672	869	(2,097)	556	–	
China Aerospace Times Electronics Co. Ltd.	600879		2,839	–	(2,687)	(152)	–	
China Kings Resources Group Co Ltd.	603505		2,348	–	(2,759)	411	–	
JLOGO Holdings Limited	8527		–	1,838	(1,964)	126	–	
E-Home household Service Holdings Ltd.	EJH		–	4,496	(3,634)	(862)	–	
New Oriental Education & Technology Group Inc	EDU		–	2,957	(3,496)	539	–	
Others			1,469	6,914	(5,315)	(355)	2,713	
<b>Total</b>			<b>27,329</b>	<b>29,865</b>	<b>(29,137)</b>	<b>4,041</b>	<b>32,098</b>	

Notes:

- (1) The Group held 14,800,000 shares which represented approximately 0.94% of the total issued shares of Best Food as at 31 December 2021. Best Food is principally engaged in a single line of business of the operation of chain restaurants. Pursuant to Best Food's interim report for the six months ended 30 June 2021, the unaudited profit attributable to shareholders of Best Food for the six months ended 30 June 2021 was approximately RMB5.24 million and the unaudited net assets attributable to shareholders of Best Food as at 30 June 2021 was approximately RMB932.91 million. In the first half of 2021, despite the occasional outbreaks in certain regions from time to time, the novel coronavirus disease (COVID-19) pandemic (the "**COVID-19 Pandemic**") has stabilized in general, and the food and beverage industry has gradually returned to normal. Certain brands with outstanding performance in terms of products, branding and organizational strengths were able to distinguish themselves from their peers and realise accelerated growth. With its investments in the food and beverage industry in a systematic manner in earlier years, Best Food has established a multi-brand, multi-category and multi-location food and beverage brand portfolio. Meanwhile, with about five years of practical experience accumulated, Best Food has gradually built up its comprehensive strengths including operational, digital and investment empowerment. Through the performance in these three aspects, it is expected that Best Food will seize the opportunities arising from this round of accelerated growth to develop itself into a "new" digital-based and multi-brand food and beverage platform company and enhance its corporate values. Going forward, Best Food's development initiatives mainly include: (i) Improving single-store model and brand image, enhancing quality of products and services, increasing the values of customers and enhancing single-store profitability; (ii) Continuing to expand the store scale of the Group's brands by implementing the expansion strategy of and providing management support for integration of direct owned stores and franchise stores; expediting the development of digital user operation system with a view to comprehensively promoting the innovative user operation services-oriented management concept and corporate culture; and (iii) Further enhancing Best Food's investment empowerment capability to continuously increase the profit contribution of associates of Best Food to the Group's financial statement as well as maximize the interests of the shareholders of the Company in the future.

- (2) The Group held 3,602,000 shares which represented approximately 0.27% of the total issued shares of Binhai as at 31 December 2021. Binhai is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service, gas passing through service and sales of bottled natural gas. Pursuant to Binhai's interim report for the six months ended 30 June 2021, the unaudited profit attributable to shareholders for the period ended 30 June 2021 was approximately HK\$231.12 million and the net assets attributable to shareholders of Binhai as at 30 June 2021 was approximately HK\$2,043.77 million. In 2021, the PRC has made significant strategic achievements in the prevention and control of the COVID-19 pandemic, and its economic development has gradually returned to the right track. With the strategic targets of "carbon peak" and "carbon neutral" (the "**Dual Carbon Targets**") proposed, the low-carbon transformation of the PRC's energy structure has fully accelerated, and the bridging and supporting role of natural gas in this historic process has become more prominent. According to the China Energy and Chemical Industry Development Report 2021, during the "14th Five Year Plan" period, natural gas, as a low-carbon energy, will maintain an average annual consumption growth rate of over 7%. The natural gas industry is highly compatible with the national policy direction of "six stabilities and six guarantees", new-type urbanization construction and rural revitalization, and the market demand is resilient. In addition, driven by favorable policies such as the opening and sharing of LNG receiving terminals and the official establishment and operation of the National Oil and Gas Pipeline Network Group Corporation, the demand for natural gas pipeline network construction, storage and transportation is expected to increase again. Binhai continued to seize the huge market opportunities brought by the national policy direction. Binhai also obtained natural gas supply projects from various enterprises such as SEMCORP, Ansteel Tiantie and Lanxin Glass. Binhai believes that meeting the customers' demand for clean energy in the existing regions will also facilitate the development of other projects in its operating regions and expansion of new regions, enhance and consolidate its position and influence in the natural gas market.

- (3) The Group held 1,476,000 shares which represented approximately 0.37% of the total issued shares of UTS as at 31 December 2021. UTS is principally engaged in the provision of outbound telemarketing services and contact center facilities for promotion of financial products and its related activities issued by authorized financial institutions, card companies or organizations worldwide. Pursuant to UTS's interim report for the six months ended 30 June 2021, the unaudited profit and total comprehensive income for the period ended 30 June 2021 was approximately RMB11.29 million and the net assets attributable to shareholders of UTS as at 30 June 2021 was approximately RMB82.98 million. As at 30 June 2021, UTS was operating eight contact centers situated within the central business district of Kuala Lumpur, Malaysia with approximately 1,304 employees. UTS's strategic objective is focusing on the business strategies according to the details as disclosed in the section headed "Business – Business Strategies" of its Prospectus. The economic outlook continues to be challenging in Malaysia which continues to face resurgence in the number of cases of COVID-19 infections. However, with the accelerated steps undertaken by the Government of Malaysia on the national vaccination programme, this should alleviate the nation recovery stage and fasten the process back to normalcy. Nevertheless, UTS continues to remain cautious and maintain its efforts to improve productivity by setting up another new contact center in the coming quarter to cater for workplace social distancing requirements. UTS expects the overall outlook for the second half of 2021 to remain stable and resilient without material deviation from its existing outbound telemarketing workstations ordered from its existing clients. In addition, UTS had also been constantly reviewing potential opportunities to increase its number of workstations ordered beyond its current customer base by either working with new database owners, new insurers or takaful operators in order to improve its financial performance.

- (4) The Group held 4,200 shares which represented approximately 0.001% of the total issued shares of Baidu as at 31 December 2021. Pursuant to Baidu's annual report for the year ended 31 December 2020, the income attributable to the shareholders for the year ended 31 December 2020 was approximately US\$481.42 million. Baidu is a leading technology company with world-class artificial intelligence (AI) capabilities. Baidu was founded to enable people to quickly find relevant information on the Internet, amidst the huge volume of information generated daily. As the gateway to the Internet, Baidu connect our users to a large information and knowledge-centric content and services ecosystem through our open search-plus-feed platform. Years of tagging, understanding and intelligently processing all forms of content on the Internet with AI – text, images and videos – has helped its build and refine our unique AI capabilities and develop Baidu Brain, its core AI technology engine. Baidu Brain in turn has enabled us to further develop leading AI technologies and commercialize them through products and services for consumers, enterprises and the public sector. Baidu's operations are primarily conducted in China, and revenues are primarily generated from China.
- (5) The Group held 100,000 shares which represented approximately 0.01% of the total issued shares of Aisidi as at 31 December 2021. Aisidi provides supply chain services in China and internationally. It engages in smartphone, 3C digital, and FMCG distribution, as well as integrated supply chain service; and electronic atomizer and apple retail, e-commerce and localization service, and communication and value-added service. Pursuant to Aisidi's third quarterly report for the nine months ended 30 September 2021, the unaudited profit attributable to shareholders for the period ended 30 September 2021 was approximately RMB443.51 million and the net assets attributable to shareholders of Aisidi as at 30 September 2021 was approximately RMB5,669.94 million.

### Investment in associates

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

## Outlook

The Directors expect the provision of coal mining and construction services will remain one of the Group's major sources of revenue notwithstanding the challenges of increasing production costs and intense market competition. Given the income from the provision of coal-mining service and construction services is charged on project basis and is non-recurrent in nature, the Group may achieve lower-than-expected revenue if it fails to maintain continuity of the Group's order book for its new projects. Whilst the Group has yet acquired new customers during the Period, it will continue to actively pursue for new customers to enlarge its customer base.

There has been an increase in demand for heating system and such growing trend is expected to continue in coming years due to rapid urbanisation and the implementation of environmental regulations which facilitate the conversion of boilers from using coal to natural gas in the PRC. In line with the Group's strategy to develop its environmental friendly heating business, the Group seeks further expansion of its business in Tianjin and Beijing. The Company would be cautious when assessing and considering potential investment opportunities.

Given the impact of the COVID-19 pandemic on the economies of Mainland China and Hong Kong, the Group will continue to exercise significant control over the granting of loans as well as monitoring its outstanding loans receivable to minimise credit risk with respect to its money lending business.

The Group commenced its fruit trading business during the Period, the Directors are of the view that the business of import of fruits into the PRC has great potential and is a good business opportunity to broaden the Group's source of revenue in the long run.

Looking ahead, the Group will maintain healthy development of its different business segments to consolidate its business portfolio and diversify its sources of income. Subject to the availability of financial resources, the Group will continue to actively consider ventures in new business areas.

### **Use of proceeds from 2016 Placing**

As disclosed in the announcement of the Company dated 8 April and 21 April 2016, the Company completed the placing of an aggregate of 1,046,260,000 new shares in the Company on 21 April 2016 ("**2016 Placing**"), from which the net proceeds of HK\$201.2 million was raised. 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\$41 million) of the proceeds for working capital purpose ("**Intended Purposes**"). Among other things, the Company has applied part of the proceeds from the 2016 Placing to develop clean energy heat supply services in Shandong ("**Shandong Project**") and Tianjin ("**Tianjin Project**").



The breakdown for the usage of the proceeds up to 31 December 2021 are as follows:

	Actual net proceeds HK\$	The cumulative usage of the 2016 Placing proceeds up to 31 December 2021 HK\$	For the Period HK\$	Unutilised Proceeds as at 31 December 2021 HK\$
Provision of heat supply services by clean energy including				
(i) investment in the joint ventures for the provision of heat supply services		35 million	Nil	
(ii) capital expenditure such as purchasing heat supply equipment and carrying out construction works and		34 million	Nil	
(iii) operation costs of the joint ventures		11 million	Nil	
Sub-total	160 million	80 million	Nil	80 million
General working capital	41 million	41 million	Nil	Nil
Total	201 million	121 million	Nil	80 million

The remaining balance of unutilised proceeds ("**Unutilised Proceeds**") of approximately HK\$80 million was and is still being deposited in banks and has remained unutilised during the Period and as at the date of this report.

Since the completion of the 2016 Placing and after investing in the Shandong Project (subsequently ceased in 2017) and Tianjin Project, the Company has been actively looking for other potential invested opportunities in the business of provision of clean energy heat supply services. All of the potential investments which the Company is currently considering are at a preliminary stage and therefore further information, including the amount of the Unutilised Proceeds which is intended to be applied to such investment(s), may be provided once the Company and the counterparty(ies) have reached binding commercial terms for such investments.

Given the Company is still considering the potential investments and the negotiation with the counterparty(s) on commercial terms are still at a preliminary stage, the Company does not have an expected timeline for the utilisation of the Unutilised Proceeds. The potential investment opportunities currently being considered by the Company will only commence operation in the next heat supply season in November 2022. In view of the above, the directors consider that the potential investments currently being considered by the Company in relation to the provision of heat supply services using natural gas are consistent with the Intended Purposes.

### **Exchange exposure**

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

## Material acquisitions and disposals

On 23 November 2021, Smart City (Shenzhen) Investment Company Limited (the “**Smart City**”), an indirect wholly-owned subsidiary of the Company, and Mr. Xie Bangkun (“**Mr. Xie**”), as purchasers on the one part, and Shenzhen Houpu Enterprises Company Limited (the “**Vendor**”), as vendor on the other part, entered into the equity transfer agreement, pursuant to which Smart City and Mr. Xie have agreed to acquire 51% and 49% equity interest in Zhongtai Hongzhi Technology (Shenzhen) Company Limited (the “**Target Company**”) from the Vendor respectively in accordance with the terms of the equity transfer agreement. Following the completion of the equity transfer, Smart City and Mr. Xie hold 51% and 49% of the equity interest of the Target Company respectively. (For details, please refer to the Company’s announcement dated 23 November 2021). Save as disclosed above, 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 2021, the Group held cash and cash equivalents of approximately HK\$168.13 million (30 June 2021: HK\$167.15 million). Net current assets amounted to approximately HK\$348.87 million (30 June 2021: HK\$348.89 million). As at 31 December 2021, the current ratio (defined as total current assets divided by total current liabilities) was approximately 4.15 times (30 June 2021: 3.67 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.23 (30 June 2021: 0.27). The Group did not have bank borrowing as at 31 December 2021 (30 June 2021: Nil).

## Pledge of assets

As at 31 December 2021, none of the assets of the Group were pledged as security for any banking facilities.

## **Employee information**

As at 31 December 2021, there were 449 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 2021, the Group had no significant contingent liabilities.

## **Litigations**

There were no material litigations during the reporting period.

## **OTHER INFORMATION**

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

As at 31 December 2021, 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 2021, 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\$0.01 each of the Company*

<b>Name of Shareholders</b>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
XU, Gongming	Beneficial owner	12,000,000	0.16%
XU, Gongming (Note 1)	Held by controlled entity	1,224,800,000	16.35%
Redwood Bay Investment Group International Company Limited (Note 1)	Beneficial owner	1,224,800,000	16.35%
WEI, Kai	Beneficial owner	232,900,000	3.11%
WEI, Kai (Note 2)	Held by controlled entity	884,820,000	11.81%
Star Link Technology Limited (Note 2)	Beneficial owner	884,820,000	11.81%

Note 1: XU, Gongming is deemed to be interested in 1,224,800,000 shares held by Redwood Bay Investment Group International Company Limited (formerly known as Zheng He Industrial Group Limited), the company is incorporated in the British Virgin Islands, which is wholly and beneficially owned by XU, Gongming.

Note 2: WEI, Kai is deemed to be interested in 884,820,000 shares held by Star Link Technology Limited, the company is incorporated in the British Virgin Islands, which is wholly and beneficially owned by WEI, Kai.

Save as disclosed above, as at 31 December 2021, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### **Share Options Scheme**

The Company has adopted a share options scheme as approved by the shareholders of the Company at the annual general meeting of the Company held on 12 December 2014 (the “**2014 AGM**”), pursuant to which the Company may grant options to subscribe for 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 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.

### **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 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 2021. There is no other information required to be disclosed pursuant to Rule 17.05A(1) of the GEM Listing Rules.

## Code on Corporate Governance Practices

The Company endeavours in maintaining high standard of corporate governance for the enhancement of shareholders' value. Pursuant to code provision A.2.1 of the Code on Corporate Governance Practices ("**Corporate Governance Code**") as set out in Appendix 15 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. Currently, each of Mr. Cai Da and Mr. Li Xianghong is the co-chairman of the Company ("**Co-Chairman**"). Mr. Cai Da as the Co-Chairman was responsible for providing leadership to and overseeing the management 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, while Mr. Li Xianghong as the Co-chairman was primarily responsible for overall leadership in the strategic development of the business of the Group. Further, following the resignation of Mr. Chen Youhua from the positions of executive Director and CEO of the Company on 1 January 2021, the board has not yet appointed a new chief executive of the Company. Accordingly, the duties of the chief executive have since then been undertaken by the executive directors. 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 to comply with code provision A.2.1 of the Corporate Governance Code if necessary. Save as disclosed above, 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 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 chairman), Mr. Wang Zhixiang, Ms. Feng Jibei and Mr. Chen Xier.

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

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

Hong Kong, 8 February 2022

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

*This report 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>.*