



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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2022

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors (the “Directors”) of Silk Road Energy Services Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3	705,041	130,937
Cost of services rendered		<u>(691,852)</u>	<u>(95,464)</u>
Gross profit		13,189	35,473
Other income	5	8,333	8,845
Other gains	6	1,322	2,541
Administrative and other operating expenses		(38,960)	(42,701)
Reversal of impairment loss in respect of amount due from an associate		–	3,341
Impairment loss recognised in respect of property, plant and equipment		(5,918)	–
Impairment loss reversed (recognised) in respect of trade and other receivables		21,936	(20,315)
Impairment loss recognised in respect of loan receivables		(11,461)	(4,763)
Impairment loss recognised in respect of contract assets		(957)	(1,743)
Finance costs		<u>(1,649)</u>	<u>(2,834)</u>
Loss before taxation		(14,165)	(22,156)
Income tax credit (expense)	7	<u>1,650</u>	<u>(7,829)</u>
Loss for the year	8	<u>(12,515)</u>	<u>(29,985)</u>
Loss for the year attributable to:			
– Owners of the Company		(8,963)	(29,871)
– Non-controlling interests		<u>(3,552)</u>	<u>(114)</u>
		<u>(12,515)</u>	<u>(29,985)</u>
LOSS PER SHARE	9		
Basic and diluted (<i>HK cents per share</i>)		<u>(0.12)</u>	<u>(0.40)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022	2021
	HK\$'000	HK\$'000
Loss for the year	(12,515)	(29,985)
Other comprehensive (expense) income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>(282)</u>	<u>29,269</u>
Total comprehensive expense for the year	<u>(12,797)</u>	<u>(716)</u>
Total comprehensive expense for the year attributable to:		
– Owners of the Company	(9,108)	(577)
– Non-controlling interests	<u>(3,689)</u>	<u>(139)</u>
	<u><u>(12,797)</u></u>	<u><u>(716)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>NOTES</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		6,795	15,277
Right-of-use assets		2,263	906
Goodwill		–	–
Customer contracts		–	–
Deferred tax assets		6,108	2,944
Interests in associates		–	–
		<u>15,166</u>	<u>19,127</u>
Current assets			
Inventories		6,128	–
Trade, bills and other receivables	<i>10</i>	136,482	111,952
Loan receivables	<i>11</i>	82,980	142,002
Contract assets		27,684	12,980
Amount due from an associate		–	18,380
Financial assets at fair value through profit or loss		30,518	27,329
Bank balances and cash		156,490	167,149
		<u>440,282</u>	<u>479,792</u>
Current liabilities			
Trade and other payables	<i>12</i>	46,875	42,715
Lease liabilities		5,096	3,118
Amount due to a former noteholder		41,206	77,386
Promissory notes		–	–
Income tax payables		8,512	7,679
		<u>101,689</u>	<u>130,898</u>
Net current assets		<u>338,593</u>	<u>348,894</u>
Total assets less current liabilities		<u>353,759</u>	<u>368,021</u>

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liability		
Lease liabilities	<u>725</u>	<u>2,190</u>
Net assets	<u>353,034</u>	<u>365,831</u>
Capital and reserves		
Share capital	74,926	74,926
Reserves	<u>281,731</u>	<u>290,839</u>
Equity attributable to owners of the Company	356,657	365,765
Non-controlling interests	<u>(3,623)</u>	<u>66</u>
Total equity	<u>353,034</u>	<u>365,831</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL

Silk Road Energy Services Group Limited (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 the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” of the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries are (i) provision of coal mining and construction services; (ii) provision for heating supply services; (iii) provision of money lending services and (iv) trading of fresh produce products.

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

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

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendment to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2023.

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

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

3. REVENUE

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Trading of fresh produce products	610,585	–
– Provision of excavation works	46,105	109,774
– Provision of construction works	31,722	1,771
– Provision of heating supply services	6,393	6,576
	694,805	118,121
Revenue from other source		
– Interest income from money lending business	10,236	12,816
	705,041	130,937

Disaggregation of revenue from contracts with customers by timing of recognition

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Timing of revenue recognition		
At a point of time	616,978	6,576
Over time	77,827	111,545
Total revenue from contracts with customers	694,805	118,121

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

	Trading of fresh produce products	Coal mining and construction services	Heating supply services	Total
For the year ended 30 June 2022	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from services:				
Trading of fresh produce products	610,585	–	–	610,585
Provision of excavation works	–	46,105	–	46,105
Provision of construction works	–	31,722	–	31,722
Provision of heating supply services	–	–	6,393	6,393
	<u>610,585</u>	<u>77,827</u>	<u>6,393</u>	<u>694,805</u>
Revenue from the geographical market:				
The PRC	<u>610,585</u>	<u>77,827</u>	<u>6,393</u>	<u>694,805</u>

	Coal mining and construction services	Heating supply services	Total
For the year ended 30 June 2021	HK\$'000	HK\$'000	HK\$'000
Revenue from services:			
Provision of excavation works	109,774	–	109,774
Provision of construction works	1,771	–	1,771
Provision of heating supply services	–	6,576	6,576
	<u>111,545</u>	<u>6,576</u>	<u>118,121</u>
Revenue from the geographical market:			
The PRC	<u>111,545</u>	<u>6,576</u>	<u>118,121</u>

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

As at 30 June 2022 and 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is nil.

As at 30 June 2022 and 2021, the other service contracts are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

4. SEGMENT INFORMATION

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

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

- Trading of fresh produce products – Provision of trading of fruit and raw meat products
- 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 revenue and results

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

	Segment revenue		Segment results	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trading of fresh produce products	610,585	–	(1,518)	–
Coal mining and construction services	77,827	111,545	13,662	(12,517)
Money lending	10,236	12,816	(8,312)	(668)
Heating supply services	6,393	6,576	(10,010)	(1,149)
Total	<u>705,041</u>	<u>130,937</u>	<u>(6,178)</u>	<u>(14,334)</u>
Certain other income			981	1,894
Certain other gains			321	2,275
Gain on disposal of associate			1,001	–
Reversal of impairment loss recognised in respect of amount due from an associate			–	3,341
Certain finance costs			(1,357)	(2,595)
Central administrative costs			<u>(8,933)</u>	<u>(12,737)</u>
Loss before taxation			<u>(14,165)</u>	<u>(22,156)</u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	257	873
Government grants (<i>note</i>)	3,856	2,574
Leasing income from machinery	–	906
Handling income on packing coal	3,549	3,709
Dividend income from equity securities	639	99
Sundry income	32	684
	<u>8,333</u>	<u>8,845</u>

Note:

Various local government grants were granted to subsidiaries of the Group for subsidising the operations in the PRC during the years ended 30 June 2022 and 2021. There is no unfulfilled condition in relation to the recognition of the subsidy income and therefore the full amount was recognised as income during the years ended 30 June 2022 and 2021.

6. OTHER GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of an associate	1,001	–
Fair value changes on financial assets at FVTPL	321	2,275
Gain on disposal of property, plant and equipment	–	266
	<u>1,322</u>	<u>2,541</u>

7. INCOME TAX (CREDIT) EXPENSE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax		
Under-provision in prior years	<u>319</u>	<u>10</u>
PRC Enterprise Income Tax		
Current year	<u>1,375</u>	<u>3,472</u>
Deferred tax:		
Current year	<u>(3,344)</u>	<u>4,347</u>
	<u>(1,650)</u>	<u>7,829</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits 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 Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the year ended 30 June 2022.

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 year ended 30 June 2022.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 30 June 2022 (2021: 25%).

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

8. LOSS FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses:		
Directors' emoluments	2,865	3,644
Other staffs' salaries, wages and other benefits	59,639	75,765
Other staffs' retirement benefits scheme contributions	<u>2,874</u>	<u>4,300</u>
Total employee benefits expenses	<u><u>65,378</u></u>	<u><u>83,709</u></u>
Auditor's remuneration	1,300	1,280
Depreciation and amortisation	4,331	6,402
Depreciation of right-of-use assets	1,733	1,407
Loss (gain) on disposal of property, plant and equipment	<u>4</u>	<u>(266)</u>

9. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (for the year attributable to owners of the Company)	<u><u>(8,963)</u></u>	<u><u>(29,871)</u></u>
	Number of shares '000	Number of shares '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>7,492,562</u></u>	<u><u>7,492,562</u></u>

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 30 June 2022 and 2021.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	56,400	89,630
Less: allowance for impairment of trade receivables	<u>(8,676)</u>	<u>(32,465)</u>
	<u>47,724</u>	<u>57,165</u>
Bills receivables	13,347	16,586
Deposit paid for fund investment (<i>note</i>)	–	9,713
Receivables arising from dealing in listed securities	261	2,739
Prepayments	57,529	2,266
Other deposits paid, net of allowance for impairment	17,534	20,204
Other receivables, net of allowance for impairment	<u>87</u>	<u>3,279</u>
	<u><u>136,482</u></u>	<u><u>111,952</u></u>

As at 30 June 2022, the gross amount of trade and bills receivables arising from contracts with customers amounting to HK\$69,747,000 (2021: HK\$106,216,000).

All the bills receivables are aged within 180 days (2021: 180 days).

Note:

The balance represented a deposit paid for subscription of a fund investment which was cancelled and the deposit was refunded to the Group during the year ended 30 June 2022.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 –30 days	37,427	2,128
31-60 days	3,402	8,654
61-90 days	118	6,822
91-180 days	–	6,622
181-365 days	–	14,028
Over 1 year	<u>6,777</u>	<u>18,911</u>
	<u><u>47,724</u></u>	<u><u>57,165</u></u>

11. LOAN RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans	108,164	156,445
Less: impairment losses recognised	<u>(25,184)</u>	<u>(14,443)</u>
	<u>82,980</u>	<u>142,002</u>

At 30 June 2022, other than a loan to a third party with an aggregate principal and accrued interest amounting to HK\$2,380,000 (2021: HK\$2,435,000) is secured by a second charge of a property, all other loans to third parties with an aggregate principal and accrued interest of HK\$80,600,000 (2021: HK\$139,567,000) are unsecured, bear fixed interest ranging from 5% to 18% (2021: 5% to 18%) per annum and are repayable within one year and thus classified as current assets. Loan receivables of HK\$37,465,000 (2021: HK\$61,492,000) are guaranteed by guarantors.

The loan receivables are repayable based on the repayment schedule specified in the respective loan agreements.

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	6,224	6,869
Deposits received	2,335	1,022
Accrued mining service costs on excavation works	949	750
Accrued staff costs	24,905	21,693
Other tax payables	9,099	9,931
Accrued expenses	1,449	1,482
Other payables	<u>1,914</u>	<u>968</u>
	<u>46,875</u>	<u>42,715</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	2,393	5,415
31-60 days	1,746	447
61-90 days	63	–
Over 90 days	2,022	1,007
	<u>6,224</u>	<u>6,869</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the year ended 30 June 2022 (the “Year”), the Group recorded a revenue of approximately HK\$705.04 million (2021: HK\$130.94 million), representing an increase of 438.46% as compared with that of the corresponding year in 2021. The increase in revenue was due to the commencement of a new business in trading of fresh produce products. The Group’s gross profit and its overall gross profit margin decreased from HK\$35.47 million and 27.09% for the corresponding year in 2021 to HK\$13.19 million and 1.87% for the Year respectively. The decreases in gross profit and gross profit margin were mainly due to (i) the decline in revenue of excavation works and provision of construction works, (ii) a very low gross profit margin from trading of fresh produce products, and (iii) a gross loss recorded in the provision of heating service as a result of significant increase in gas costs.

The Group recorded other income, which mainly comprised the handling income for coal packing services, government grants and interest income, in the amount of approximately HK\$8.33 million (2021: HK\$8.85 million) for the Year. The decrease in other income is mainly due to the absence of leasing income from machinery during the Year. The Group recorded other gains of HK\$1.32 million (2021: HK\$2.54 million) which was mainly contributed by profit from investments in listed securities and a gain of approximately HK\$1.00 million on the disposal of associated companies of the Group.

The Group recorded administrative and other operating expenses in the amount of HK\$38.96 million (2021: HK\$42.70 million). The decrease in administrative and other operating expenses was mainly due to the implementation of effective cost control measures. The Group recorded finance costs in the amount of HK\$1.65 million (2021: HK\$2.83 million). The decrease in finance costs was mainly due to the absence of imputed interest on promissory notes and the repayments of the amount due to a former noteholder. The Group recorded an income tax credit of HK\$1.65 million (2021: tax expenses of HK\$7.83 million), the change was mainly due to the increase in deferred tax liabilities written back.

The Group recorded a reversal of impairment loss recognized in respect of trade and other receivables in the amount of HK\$21.94 million (2021: loss of HK\$20.32 million). The reversal was due to the aging of the Group’s account receivables having been reduced as the Group successfully recovered certain long-term receivables from customers during the Year. The Group recorded impairment loss recognized in respect of contract assets in the amount of HK\$0.96 million (2021: HK\$1.74 million). The Group also recorded impairment loss recognized in respect of loan receivables in the amount of HK\$11.46 million (2021: HK\$4.76 million). The increase was due to the increase in expected credit loss (“ECL”). Besides, the Group also recorded impairment loss recognized in respect of plant and machinery in the amount of HK\$5.92 million as the gas price increased significantly during the Year which caused the expected future returns from the provision of heating services to decrease.

In conclusion, the loss attributable to owners of the Company for the Year amounted to approximately HK\$8.96 million (2021: HK\$29.87 million). The reduction in loss was mainly due to the reversal of impairment loss recognized in respect of trade and other receivables.

PROVISION OF COAL MINING SERVICES & CONSTRUCTION SERVICES

The revenue of this segment comprises service income from excavation works and provision of construction works. During the Year, the Group's provision of coal mining & construction services to two customers recorded a revenue of approximately HK\$77.83 million (2021: HK\$111.55 million) which accounted for 11.04% of the Group's total revenue. The decrease in revenue was mainly due to the completion of a project for coal mining & construction services and hence no revenue was recorded from the said project during the Year. This segment recorded a gain of approximately HK\$13.66 million during the Year which was mainly due to the reversal of impairment loss recognised in respect of trade receivables.

MONEY LENDING BUSINESS

The Group operates its money lending business in Hong Kong through a subsidiary of the Company, which is a licensed money lender under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong), and in the People's Republic of China (the "PRC") through its subsidiaries in Mainland China respectively. Individual borrowers accounted for the majority of the customers of the Group's money lending business, while the rests are corporate borrowers. The interest rate charged by the Group ranged from 5% to 18% per annum, and all loans granted have a term of no more than one year. Save for a loan of HK\$2.38 million (net of impairment) which was secured by a second charge on property, all loans extended by the Group were unsecured. The percentage of amount of total loans and interest receivables from the largest and the 5 largest customers to total loans and interest receivables are 6.3% and 30.9% respectively.

The adverse financial and economic conditions caused by the COVID-19 pandemic have affected the financial position and repayment ability of the Group's customers. The Group expects that such a challenging situation may affect the repayment of loans on demand and increase the credit risks. Therefore, the Group was more cautious in granting loans, particularly in the loan assessment and approval process. The loan applicants need to provide their personal information and financial information with supporting documents to the Group for preliminary due diligence and background check. The supporting documents include but are not limited to the identification documents, marital status documents, business registration certificate (for corporation applicant), a list of assets and liabilities of the applicants and/or their guarantors, and bank statements for the past year. The Group verify the supporting documents against their originals and retain a photocopy for records. Besides, the Group conducts legal searches, company searches and land searches through business data and investigation data platforms (e.g. TianYanCha). The finance department of the relevant subsidiaries of the Company and the responsible director(s) of the Company would review the supporting documents, applicants' background information, and results of legal and financial due diligence to assess the repayment ability and creditworthiness of the loan applicants. The Group would only grant loans to the applicants if the result of the assessments is satisfactory.

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 on borrowers' repayment. In the event of failure to repay interest and/or the principal amount by the due date, the Group will issue overdue payment reminders to the relevant borrowers; and negotiate with the borrowers for the repayment of the loan. Where settlement proposals cannot be agreed upon, the Group may commence legal proceedings against the borrowers to recover the principal and outstanding interest.

The Group's impairment loss mainly relates to ECL allowance for loan receivables. In determining the ECL for loan receivables, the historical data are assessed together with other external available information and are adjusted to reflect current and forward-looking information on macroeconomic factors.

During the Year, the revenue from loan interest income was approximately HK\$10.24 million (2021: HK\$12.82 million) which accounted for 1.45% of the Group's total revenue. The decrease in revenue was mainly attributable to the decline in loan balances as the Group was more cautious in granting loans. This segment recorded a loss of approximately HK\$8.31 million, principally due to the impairment loss recognized in respect of loan receivables, during the Year.

PROVISION FOR HEATING SUPPLY

The Group provides heating supply services to customers in Tianjin, the PRC. During the Year, the Group recorded a revenue of approximately HK\$6.39 million (2021: HK\$6.58 million), which accounted for 0.91% of the Group's total revenue, and a gross loss of approximately HK\$4.59 million (2021: HK\$0.18 million) from the provision of heating supply services. 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 approximately HK\$3.79 million as other income from the PRC government. After taking into account the relevant administrative costs and the impairment loss recognized in respect of plant and machinery, this segment recorded a loss of approximately HK\$10.01 million during the Year.

TRADING OF FRESH PRODUCE PRODUCTS

During the Year, the Group diversified into the new business in trading of fresh produce products (for details, please refer to the Company's announcements dated 23 November 2021 and 21 March 2022). The Group imported fruits, mainly durians, from Thailand to the PRC. In addition, the Group also sourced quality live pigs from renowned suppliers and pig farms in Guangxi, Jiangxi and Hunan, and sold the live pigs to cities in Guangdong Province such as Shenzhen, Huizhou, Dongguan. The Group recorded a revenue of approximately HK\$610.59 million, which accounted for 86.6% of the Group's total revenue, a gross profit of approximately HK\$0.33 million, and a loss of HK\$1.52 million from the trading of fresh produce products during the Year. The business of trading fresh produce products had a short sales cycle that allowed the Group to make a large volume of sales, resulting in high revenue. The low gross profit was caused by the high food loss rate as a portion of fruits had decayed when the Covid-19 pandemic wreaked havoc on the supply chain for fruit.

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

As at 30 June 2022, 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\$30.52 million (2021: HK\$27.33 million). During the Year, the Group recorded a gain of fair value change on financial assets at FVTPL of approximately HK\$0.32 million (2021: HK\$2.28 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Notes	Carrying amount as at 01/07/2021 HK\$'000	Costs of acquisition during the Year HK\$'000	Proceeds from disposal during the Year HK\$'000	Fair value gain/(loss) during the Year HK\$'000	Market Value as at 30/06/2022 HK\$'000
Best Food Holding Company Limited (“Best Food”)	1488		8,154	5,606	-	2,035	15,795
Binhai Investment Company Limited (“Binhai”)	2886		4,841	1,043	(6,049)	579	414
UTS Marketing (“UTS”)	6113		169	2,914	(1,826)	(171)	1,086
Quantong Holdings Ltd. (“Quantong”)	8316		672	1,778	(2,570)	526	406
China Wantian Holdings Limited (“Wantian”)	1854		21	2,457	(410)	(30)	2,038
Baidu Inc (“Baidu”)	BIDU		-	6,293	(892)	(500)	4,901
Shenzhen Aisidi Co. Ltd (“Aisidi”)	002416		-	3,716	-	(500)	3,216
JLOGO Holdings Limited (“JLOGO”)	8527		-	4,266	(1,964)	2	2,304
Ri Ying Holdings Limited	1741		6,837	-	(6,103)	(734)	-
China Aerospace Times Electronics Co. Ltd.	600879		2,839	-	(2,687)	(152)	-
China Kings Resources Group Co Ltd.	603505		2,348	-	(2,759)	411	-
Senmiao Technology Limited	AIHS		-	1,126	(660)	(466)	-
E-Home household Service Holdings Ltd.	EJH		-	4,496	(3,634)	(862)	-
New Oriental Education & Technology Group Inc	EDU		-	2,957	(3,496)	539	-
Gel System Integration Technology Co. Ltd.	002506		-	1,051	(1,077)	26	-
Others			1,448	4,769	(5,477)	(382)	358
Total			27,329	42,472	(39,604)	321	30,518

OUTLOOK

The directors expect the revenue of the provision of coal mining and construction services will remain stable notwithstanding the challenges of increasing production costs and intense market competition. 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.

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. Although the prospect of the provision of heating supply service remains promising, during the Year, international commodity and energy prices rose sharply and the high volatility in prices of gas is expected to continue in the foreseeable future. The surge in gas price will continue to push down the profit margin of the provision of heating supply services of the Group. Whereas the Group has benefited from subsidies granted by the PRC government to the heat supply industry, such subsidies highly dependent on government policies. The Group considers that the inherent uncertainties of the industry cast doubt on the profitability of the provision of heating supply service which has become obstacles for the Group to identify good investment opportunities in this industry.

Given the impact of the COVID-19 pandemic on the economies of PRC 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 Directors considered that the growing purchasing power and rising living standard in the PRC are expected to drive up the demand for imported fruits and quality agricultural products bred in renowned farms in the PRC, and are therefore optimistic about the business prospect of trading of fresh produce and agricultural products. As disclosed in the announcement of the Company dated 24 June 2022, an indirect wholly-owned subsidiaries of the Group and China Reserve (Guangdong) Grain Trading Limited had formed a strategic partner in relation to leverage on their respective strengths and resources, enhance the quality of products of their businesses, maintain client relationship and secure long-term growth for the parties. The cooperation would focus on the trading, logistics, storage, and supply of sugar, live pigs, rice and other staple agricultural products. The Group started to purchase sugar from sugar factories and sold it to China Reserve (Guangdong) Grain Trading Limited in July 2022 and more in-depth cooperation in the future is expected. The Directors are of the view that the business of trading fresh produce and agricultural products is the main driver for the growth of the Group and are also confident that this will help diversify the Group's business and will generate more income and increase the profit margin of the Group in the long run. As it is expected that this business segment will have a good business prospect, the Group will allocate more resources to it.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group held cash and cash equivalents of approximately HK\$156.49 million (2021: HK\$167.15 million). Net current assets amounted to approximately HK\$338.59 million (2021: HK\$348.89 million). As at 30 June 2022, the current ratio (defined as total current assets divided by total current liabilities) was approximately 4.33 (2021: 3.67 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.22 (2021: 0.27). The Group did not have bank borrowing as at 30 June 2022 (2021: Nil).

USE OF PROCEEDS FROM 2016 PLACING

As disclosed in the announcements 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 service in Shandong (“Shandong Project”) and Tianjin (“Tianjin Project”).

The breakdown for the usage of the proceeds up to 30 June 2022 are as follows:

	Actual net proceeds <i>HK\$</i>	The cumulative usage of the 2016 Placing proceeds up to 30 June 2021 <i>HK\$</i>	For the year ended 30 June 2022 <i>HK\$</i>	Unutilised Proceeds as at 30 June 2022 <i>HK\$</i>
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	<u>201 million</u>	<u>121 million</u>	<u>Nil</u>	<u>80 million</u>

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 Year and as at the date of this announcement.

Since the completion of the 2016 Placing and after investing in the Shandong Project and Tianjin Project, the Company has continued looking for potential investment opportunities to which the Company may apply the Unutilised Proceeds. Even though the Group has considered a number of potential investments and entered negotiations with certain parties, it is yet to identify any suitable project that the Directors consider to be beneficial to the Group and its shareholders as a whole. As the gas price soared and the subsidies from the PRC government depends on the government policies, the directors consider that the inherent uncertainties of the heat supply industry are likely to impact the profitability of the provision of heating supply services of the Group. The Board will evaluate the plans for use of the Unutilised Proceeds and may revise the plans where necessary in response to the changing market conditions and strive for more efficient resource allocation, better business performance and return of the Group. For the time being, the directors are optimistic about that the prospects of trading fresh produce and agricultural products is promising and may propose to reallocate part of the Unutilised Proceeds to this business. Accordingly the Company does not have an expected timeline for the utilisation of the Unutilised Proceeds. Should there be any change in the use of proceeds, further announcement(s) will be made by the Company as soon as practicable.

SHARE CAPITAL

As at 1 July 2021 and 30 June 2022, the authorized share capital of the Company was HK\$1,500,000,000 divided into 150,000,000,000 shares of the Company of HK\$0.01 each. As at 1 July 2021 and 30 June 2022, the issued share capital of the Company was approximately HK\$74,925,634 divided into 7,492,562,338 shares of HK\$0.01 each.

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

On 23 November 2021, Smart City (Shenzhen) Investment Company Limited* (“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* (“Zhongtai”) 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 Zhongtai respectively. For details, please refer to the Company’s announcement dated 23 November 2021.

On 12 April 2022, the Group disposed of its 30% equity interest in Asset Management International Limited (the “Asset Management”) and the amount due from Asset Management at a cash consideration of HK\$1 million (the “Disposal”), resulting in a gain on disposal of approximately HK\$1 million. Asset Management and its subsidiaries are principally engaged in security investment. Upon the completion of the Disposal, the Group ceased to hold any equity interest in Asset Management and its subsidiaries, which ceased to be associates of the Company.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associates of the Group during the Year.

LITIGATIONS

The Group was not involved in any material litigations during the Year.

CAPITAL COMMITMENT

As at 30 June 2022, the Group had no significant capital commitment (30 June 2021: nil).

PLEDGE OF ASSETS

As at 30 June 2022, none of the assets of the Group were pledged as security for any banking facilities.

EMPLOYEE INFORMATION

As at 30 June 2022, there were 321 (2021: 390) 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.

RETIREMENT BENEFIT PLANS

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (“Schemes”) operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

During the Year, the Group’s contributions under the abovementioned defined contribution retirement plan had no forfeited contributions may be used to reduce the existing level of contributions.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities.

DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

OTHER INFORMATION

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

As at 30 June 2022, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors’ rights to acquire shares or debentures

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

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

As at 30 June 2022, 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

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
XU, Gongming	Beneficial owner	12,000,000	0.16%
XU, Gongming (<i>Note 1</i>)	Held by controlled entity	1,577,380,000	21.05%
Redwood Bay Investment Group International Company Limited (<i>Note 1</i>)	Beneficial owner	1,577,380,000	21.05%
WEI, Kai (<i>Note 2</i>)	Held by controlled entity	884,820,000	11.81%
Star Link Technology Limited (<i>Note 2</i>)	Beneficial owner	884,820,000	11.81%

Note 1: XU, Gongming is deemed to be interested in 1,577,380,000 shares held by Redwood Bay Investment Group International Company Limited, the company 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 incorporated in the British Virgin Islands, which is wholly and beneficially owned by WEI, Kai.

Save as disclosed above, as at 30 June 2022, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Directors' and Controlling Shareholders' Interests in Contracts

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

Share Options Scheme

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

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

Competing Interests

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

Purchase, Sale or Redemption of Company's Listed Securities

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

The Company endeavors in maintaining high standards of corporate governance for the enhancement of shareholders' value. Save as disclosed in the Chairman and Chief Executive Officer section of this corporate governance report, the Company has applied the principles of and complied with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 30 June 2022 (the "Year").

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises four independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Wang Zhixiang, Ms. Feng Jibei and Mr. Chen Xier. The 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, internal control procedures and risk management systems. The Audit Committee held five meetings during the Year. Two of the meetings was attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors.

The Audit Committee reviewed the Group's quarterly reports for the three months and nine months ended 30 September 2021 and 31 March 2022 respectively, interim report for the six months ended 31 December 2021 and the Group's audited annual results for the year ended 30 June 2022. The Audit Committee also made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures.

Review of the Results Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

Hong Kong, 20 September 2022

As at the date of this announcement, 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 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>.