



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

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

Interim Report **2022/23**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Da (*Chairman*)

Mr. Li Wai Hung

Mr. Wang Tong Tong

Mr. Li Xianghong (*Co-Chairman*)
(resigned on 1 January 2023)

Independent Non-Executive Directors

Ms. Wong Na Na

Mr. Chen Xier

Mr. Huang Tianhua
(appointed on 11 November 2022)

Ms. Lei Ming
(appointed on 11 November 2022)

Mr. Wang Zhixiang
(resigned on 11 November 2022)

Ms. Feng Jibei
(resigned on 11 November 2022)

AUDIT COMMITTEE

Ms. Wong Na Na (*Chairman*)

Mr. Chen Xier

Mr. Huang Tianhua

Ms. Lei Ming

REMUNERATION COMMITTEE

Ms. Wong Na Na (*Chairman*)

Mr. Cai Da

Mr. Huang Tianhua

Ms. Lei Ming

NOMINATION COMMITTEE

Mr. Cai Da (*Chairman*)

Mr. Chen Xier

Mr. Huang Tianhua

Ms. Lei Ming

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, Uglund 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
17/F, Chubb Tower, Windsor House,
Gloucester Road, Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of
China Limited
Shenzhen Xinian District Branch
Bank of Ningbo Co., Ltd. Shenzhen Xili
District Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Corporate Services Limited
PO Box 309, Umland 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 2022, together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2022

	Notes	Three months ended 31 December		Six months ended 31 December	
		2022	2021	2022	2021
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	1,437,847	27,861	2,426,138	51,113
Cost of services rendered		(1,437,089)	(24,104)	(2,421,654)	(44,997)
Gross profit		758	3,757	4,484	6,116
Other income	5	1,414	2,367	2,195	3,118
Other gain/(loss)		827	1,841	(4,143)	4,041
Administrative and other operating expenses		(13,038)	(12,046)	(24,517)	(22,788)
Reversal of impairment loss recognized in respect of trade and other receivables		7,252	–	7,252	–
Finance costs	7	(268)	(368)	(736)	(845)
Loss before taxation		(3,055)	(4,449)	(15,465)	(10,358)
Income tax expense	8	(336)	(694)	(1,833)	(1,063)
Loss for the period	6	(3,391)	(5,143)	(17,298)	(11,421)

	Three months ended		Six months ended	
	31 December		31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to:				
– Owners of the Company	(2,964)	(4,940)	(16,202)	(11,136)
– Non-controlling interests	(427)	(203)	(1,096)	(285)
	<u>(3,391)</u>	<u>(5,143)</u>	<u>(17,298)</u>	<u>(11,421)</u>
Loss per share				
– Basic and diluted				
(HK cents per share)	<u>(0.04)</u>	<u>(0.07)</u>	<u>(0.22)</u>	<u>(0.15)</u>
Loss for the period	(3,391)	(5,143)	(17,298)	(11,421)
Other comprehensive income (expenses) for the period, net of tax				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	<u>5,004</u>	<u>5,474</u>	<u>(13,864)</u>	<u>6,415</u>
Total comprehensive income (expense) for the period, net of income tax	<u>1,613</u>	<u>331</u>	<u>(31,162)</u>	<u>(5,006)</u>
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	2,021	545	(33,109)	(4,710)
Non-controlling interests	(408)	(214)	1,947	(296)
	<u>1,613</u>	<u>331</u>	<u>(31,162)</u>	<u>(5,006)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 and 30 June 2022

		As at 31 December 2022 (Unaudited) <i>HK\$'000</i>	As at 30 June 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		12,324	6,795
Customer contracts		–	–
Right-of-use assets		1,363	2,263
Deferred tax assets		5,675	6,108
		19,362	15,166
Current assets			
Inventories		2,835	6,128
Trade, bills and other receivables	11	175,977	136,482
Loan receivables		60,602	82,980
Contract assets		12,073	27,684
Financial assets at fair value through profit or loss		24,127	30,518
Pledged time deposit		5,630	–
Cash and cash equivalents		146,974	156,490
		428,218	440,282

		As at 31 December 2022 (Unaudited) HK\$'000	As at 30 June 2022 (Audited) HK\$'000
	<i>Notes</i>		
Current liabilities			
Trade, bills and other payables	12	86,549	46,875
Contract liabilities		3,547	–
Lease liabilities		3,978	5,096
Amount due to a former noteholder		21,070	41,206
Income tax payables		10,167	8,512
		125,311	101,689
Net current assets		302,907	338,593
Total assets less current liabilities		322,269	353,759
Non-current liabilities			
Lease liabilities		397	725
Net assets		321,872	353,034
Capital and reserves			
Share capital		74,926	74,926
Reserves		248,622	281,731
Equity attributable to owners of the Company		323,548	356,657
Non-controlling interests		(1,676)	(3,623)
Total equity		321,872	353,034

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	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 2022 (Audited)	74,926	288,469	(20,114)	2,882	10,494	356,657	(3,623)	353,034
Loss for the period	-	-	-	-	(16,202)	(16,202)	(1,096)	(17,298)
Exchange differences on translating foreign operations	-	-	(16,907)	-	-	(16,907)	3,043	(13,864)
Total comprehensive (expense) income for the period	-	-	(16,907)	-	(16,202)	(33,109)	1,947	(31,162)
Balance at 31 December 2022 (Unaudited)	74,926	288,469	(37,021)	2,882	(5,708)	323,548	(1,676)	321,872

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

	Six months ended 31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	24,365	5,746
Net cash (used in) from investing activities	(16,130)	32,872
Net cash used in financing activities	(10,817)	(36,074)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(2,582)	2,544
Cash and cash equivalents at beginning of period	156,490	167,149
Effect of foreign exchange rate changes	(6,934)	(1,562)
	<hr/>	<hr/>
Cash and cash equivalents at end of period, represented by bank balances and cash	146,974	168,131
	<hr/>	<hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2022 (“**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 2022.

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 2022. The adoption of these new standards and amendments to standards has no material impact on the Group’s results and financial position. The Group has not early adopted these new standards amendments to standards and interpretations which have been issued by HKICPA but are not yet effective.

3. REVENUE

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

	Three months ended		Six months ended	
	31 December		31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– Trading of fresh produce and agricultural products	1,384,171	1,932	2,361,693	1,932
– Provision of excavation works and construction works	49,765	20,171	58,771	40,343
– Provision for heating supply services	2,345	2,500	2,345	2,500
	1,436,281	24,603	2,422,809	44,775
Revenue from other source				
– Interest income from money lending business	1,566	3,258	3,329	6,338
	1,437,847	27,861	2,426,138	51,113



4. SEGMENT INFORMATION

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

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

- Trading of fresh produce and agricultural products – Import fruits from Thailand to the People’s Republic of China (the “**PRC**”) and trading of agricultural 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 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 2022

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

For the six months ended 31 December 2021

	Trading of fresh produce and agricultural products (Unaudited) HK\$'000	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	<u>1,932</u>	<u>40,343</u>	<u>6,338</u>	<u>2,500</u>	<u>51,113</u>
Segment results	<u>(105)</u>	<u>(9,530)</u>	<u>2,617</u>	<u>(2,294)</u>	<u>(9,312)</u>
Certain other income					77
Fair value changes on financial assets at FVTPL					4,041
Certain finance costs					(733)
Central administration costs					<u>(4,431)</u>
Loss before taxation					<u>(10,358)</u>

5. OTHER INCOME

	Three months ended		Six months ended	
	31 December		31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	196	83	258	169
Handling income	206	1,527	206	2,115
Government grants	688	757	1,345	757
Dividend income from equity securities	96	–	96	77
Sundry income	228	–	290	–
	<u>1,414</u>	<u>2,367</u>	<u>2,195</u>	<u>3,118</u>

6. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	31 December		31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	709	605	1,368	1,399
Depreciation of right-of-use assets	407	130	823	259

7. FINANCE COSTS

	Three months ended 31 December		Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest expenses on discounted bills	22	1	38	14
Imputed interest in lease liabilities	21	60	47	119
Interest on amount due to a former noteholder	225	307	569	712
Other interest expense	-	-	82	-
	<u>268</u>	<u>368</u>	<u>736</u>	<u>845</u>

8. INCOME TAX EXPENSE

	Three months ended 31 December		Six months ended 31 December	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current profits tax:				
- Hong Kong Profits Tax	5	26	5	54
- PRC	331	668	1,828	1,009
	<u>336</u>	<u>694</u>	<u>1,833</u>	<u>1,063</u>

Under the two-tiered profit tax rates regime of Hong Kong Profit Tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Other than the qualifying corporation, Hong Kong Profit Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the period ended 31 December 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 31 December 2022 (30 June 2022: 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 2022 (2021: Nil).

10. LOSS PER SHARE

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

	Three months ended 31 December		Six months ended 31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>(2,964)</u>	<u>(4,940)</u>	<u>(16,202)</u>	<u>(11,136)</u>
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</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 three months and six months ended 31 December 2021 and 31 December 2022.

11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December 2022 (Unaudited) HK\$'000	As at 30 June 2022 (Unaudited) HK\$'000
Trade receivables	69,087	56,400
Less: allowance for impairment of trade receivables	(2,182)	(8,676)
	66,905	47,724
Bills receivables	14,129	13,347
Receivables arising from dealing in listed securities	2,524	261
Prepayments	68,651	57,529
Other deposits paid, net of allowance for impairment	14,467	17,534
Other receivables, net of allowance for impairment	9,301	87
	175,977	136,482

All the bills receivables are aged within 180 days.

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

	As at 31 December 2022 (Unaudited) HK\$'000	As at 30 June 2022 (Unaudited) HK\$'000
0-30 days	43,288	37,427
31-60 days	20,814	3,402
61-90 days	2,665	118
91-180 days	138	–
181-365 days	–	–
Over 1 year	–	6,777
	66,905	47,724

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

12. TRADE, BILLS AND OTHER PAYABLES

	As at 31 December 2022 (Unaudited) HK\$'000	As at 30 June 2022 (Unaudited) HK\$'000
Trade payables	25,226	6,224
Bills payables	5,630	–
Deposits received	1,794	2,335
Accrued mining service costs on excavation works	873	949
Accrued staff costs	26,596	24,905
Other tax payables	7,636	9,099
Interest payable	–	1,449
Other payables	<u>18,794</u>	<u>1,914</u>
	<u>86,549</u>	<u>46,875</u>

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

	As at 31 December 2022 (Unaudited) HK\$'000	As at 30 June 2022 (Unaudited) HK\$'000
0-30 days	3,793	2,393
31-60 days	21,229	1,746
61-90 days	–	63
Over 90 days	<u>204</u>	<u>2,022</u>
	<u>25,226</u>	<u>6,224</u>

MANAGEMENT DISCUSSION AND ANALYSIS


Business and financial review

For the six months ended 31 December 2022 (the “**Period**”), the Group recorded a revenue of approximately HK\$2,426.14 million (2021:HK\$51.11 million), representing an increase of approximately 46 times as compared with that of the corresponding period in 2021. The increase in revenue was due to the commencement of a new business in the trading of fresh produce and agricultural products. The Group’s gross profit decreased from approximately HK\$6.12 million for the six months ended 31 December 2021 to HK\$4.48 million for the Period while its gross profit margin decreased from 11.97% for the corresponding period in 2021 to 0.18 % for the Period. The significant decrease in gross profit margin was mainly due to (i) a gross loss recorded in the segment of the provision of coal mining services and construction services, (ii) a gross loss recorded in the segment of the provision of heating supply services, (iii) the decline in interest incomes generated from the money lending business, and (iv) a very low gross profit margin from trading of fresh produce and agricultural products.

The Group recorded other income, which mainly comprised government grants and interest income, in the amount of approximately HK\$2.20 million (2021: HK\$3.12 million) for the Period. The decrease in other income was due to the decrease in handling income for packing coal during the Period. The Group recorded a loss of HK\$4.14 million (2021: gain of HK\$4.04 million) from investments in listed securities as a result of market volatility during the Period.

The Group recorded administrative and other operating expenses in the amount of HK\$24.52 million (2021: HK\$22.79 million) and finance costs in the amount of HK\$0.74 million (2021: HK\$0.85 million). The Group recorded income tax expenses of HK\$1.83 million (2021: HK\$1.06 million), the increase in which was mainly due to extra tax expenses arising from the new business in trading of fresh produce and agricultural products.

The Group recorded a reversal of impairment loss recognized in respect of trade and other receivables in the amount of HK\$7.25 million (2021: nil). The reversal was due to the aging of the Group’s account receivables having been reduced as the Group successfully recovered most long-term receivables from its customers during the Period.



In conclusion, the loss attributable to owners of the Company for the Period amounted to approximately HK\$16.20 million (2021: HK\$11.14 million). The increase in loss was mainly due to a loss of approximately HK\$4.14 million for the Period in respect of the change of fair value on financial assets at fair value through profit or loss, as opposed to a gain of approximately HK\$4.04 million recorded in the six months ended 31 December 2021, and the decrease in gross profit.

Provision of coal mining services and construction services


The revenue of this segment comprises service income from excavation works and provision of construction works. During the Period, the Group recorded a revenue of approximately HK\$58.77 million (2021: HK\$40.34 million) from the provision of coal mining & construction services to two customers which accounted for 2.42% of the Group's total revenue. The Group entered into a new contract with a customer in November 2022 and provided services during the second quarter of the financial year, resulting in an increase in revenue. The segment recorded a gross loss which was mainly due to (i) additional costs was incurred to relocate the labor force for the commencement of a new project after the Group has completed the previous project and (ii) the adverse operating environment amidst the COVID-19 pandemic in the People's Republic of China (the "PRC"). In addition, the provision of services under the new contract was in the preliminary stage in which substantial expenses were incurred. After taking into account the relevant administrative costs and the reversal of impairment loss recognized in respect of the trade receivables, this segment recorded a loss of approximately HK\$8.77 million (2021: HK\$9.53 million).



Money lending business

The Group operates its money lending business in Hong Kong through an indirect wholly-owned subsidiary of the Company, which is a licensed money lender under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong), and in the PRC through another indirect wholly-owned subsidiary of the Company respectively. Loan financing is the only money lending service provided by the Group. At 31 December 2022, individual borrowers accounted for approximately 90% of the customers of the Group's money lending business, while the rest are corporate borrowers. Customers of the Group are mainly introduced through business or personal networks or referral from business counterparts of the Group. The outstanding balances of the loans granted ranged from approximately HK\$0.3 million to HK\$7.1 million with the interest rate ranging from 5.0% to 18.0% per annum, and all of the outstanding loans have a term of no more than one year. The Group does not have a specific target loan size but assesses each application on the basis of its merit and will determine whether security in the form of legal charge on property or personal guarantee provided by independent third party would be required. Save for a loan of approximately HK\$2.60 million (net of impairment) which was secured by a second charge on a property, the remaining loans granted by the Group are not secured by collateral security. However, a number of the outstanding loans are secured by personal guarantees provided by independent third parties. As at 31 December 2022, the Group's largest customer and the top five customers of this segment in aggregate constituted approximately 8.2% and 40.0% of the total loan and interest receivables 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 and increase credit risks which was not apparent at the time when the loans were granted. The Group will continue to monitor the recoverability of its loans through regular communication with borrowers regarding their latest financial position and review of the borrowers' credit profile and will take any necessary follow-up action to secure the borrowers' repayment.



During the Period, the revenue from loan interest income was approximately HK\$3.33 million (2021: HK\$6.34 million) which accounted for 0.14% of the Group's total revenue. The decrease in revenue in this segment was mainly attributable to the decline in loan balances as the Group was more cautious in granting new loans. This segment recorded a profit of approximately HK\$0.95 million during the Period (2021: HK\$2.62 million).

Provision of 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\$2.35 million (2021: HK\$2.50 million), which accounted for 0.10% of the Group's total revenue, and a gross loss of approximately HK\$1.04 million from the provision of heating supply services. Notwithstanding that the provision of 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\$1.26 million as other income from the PRC government. After taking into account the relevant administrative costs, this segment recorded a loss of approximately HK\$1.29 million (2021: HK\$2.29 million) during the Period.

Trading of fresh produce and agricultural products

The Group has diversified its business into the trading of fresh produce products in the year ended 30 June 2022. The Group imported fruits, mainly durian from Thailand to the PRC. The Group also purchased fruits from a local supplier; and sold them to the market. Besides, the Group 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. During the Period, the Group expanded the scope of the trading business to agriculture products such as sugar and eggs. The Group purchased sugar from sugar factories and sold it to China Reserve (Guangdong) Grain Trading Limited.

During the Period, the Group recorded a revenue of approximately HK\$2,361.69 million, which accounted for 97.34% of the Group's total revenue, a gross profit of approximately HK\$7.34 million, and a segment profit of HK\$2.52 million from the trading of fresh produce and agricultural products. The business of trading fresh produce and agricultural 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 margin was because the trading business operated in highly competitive markets.

Investment in listed securities

As at 31 December 2022, the Group invested in securities listed in Hong Kong 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\$24.13 million (30 June 2022: HK\$30.52 million). During the Period, the Group recorded a loss of fair value change on financial assets at FVTPL of approximately HK\$4.14 million (2021: gain of HK\$4.04 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Notes	Carrying amount as at 01/07/2022 HK\$'000	Costs of acquisition during the Period HK\$'000	Proceeds from disposal during the Period HK\$'000	Fair value gain/(loss) during the Period HK\$'000	Market Value as at 31/12/2022 HK\$'000
Best Food Holding Company Limited (“Best Food”)	1488	1	15,795	2,524	–	(2,984)	15,335
Binhai Investment Company Limited (“Binhai”)	2886	2	414	2,104	(416)	372	2,474
UTS Marketing (“UTS”)	6113	3	1,086	1,204	–	(586)	1,704
China Wantian Holdings Limited (“Wantian”)	1854	4	2,038	216	(3,029)	1035	260
Shenzhen Aisidi Co. Ltd (“Aisidi”)	002416	5	3,216	1,852	(4,188)	(64)	816
JLOGO Holdings Limited (“JLOGO”)	8527	6	2,304	3,112	(2,068)	(1,131)	2,217
Baidu Inc (“Baidu”)	BIDU		4,901	–	(4,230)	(671)	–
Others			764	2,325	(1,654)	(114)	1,321
Total			30,518	13,337	(15,585)	(4,143)	24,127




Notes:

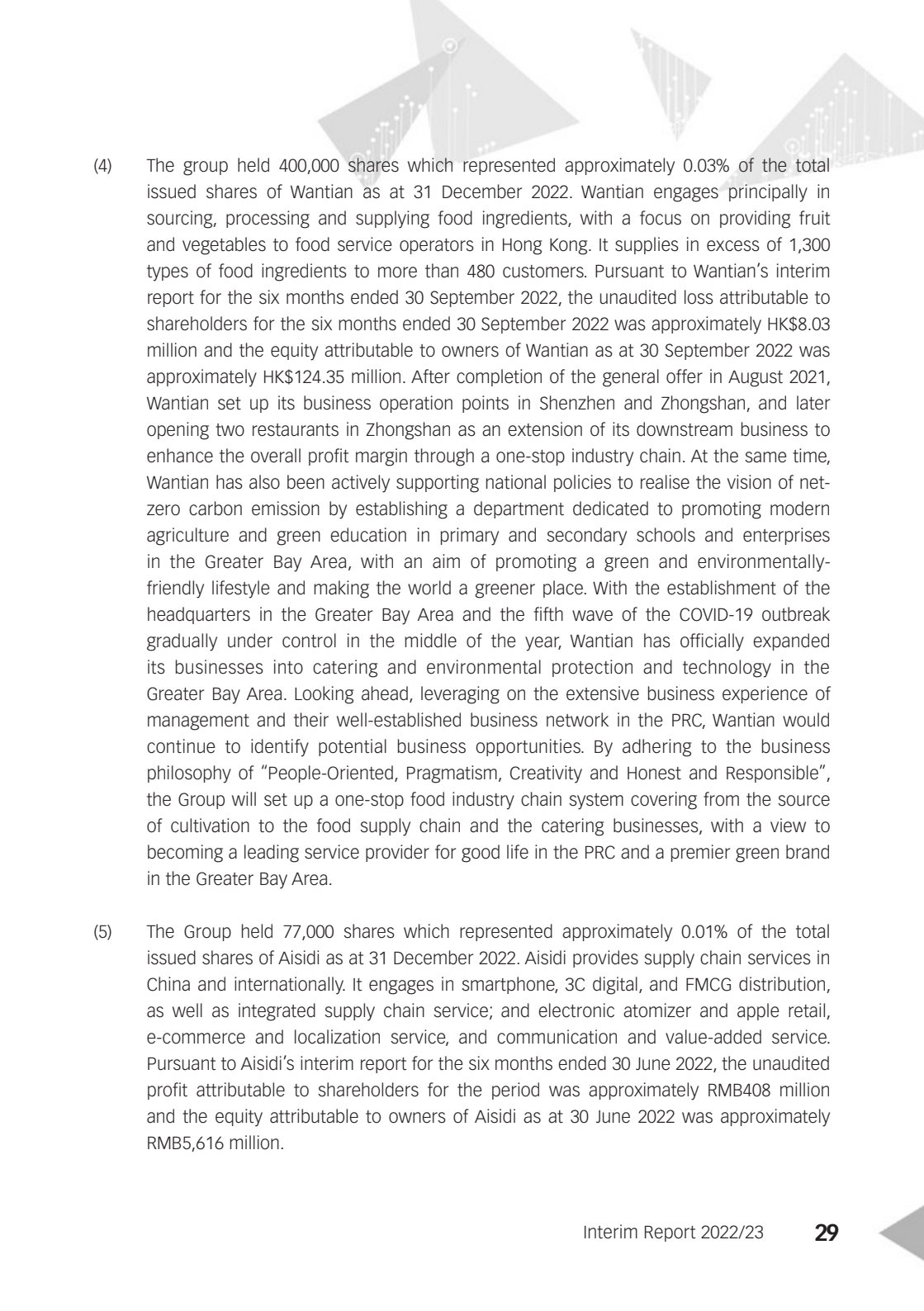
- (1) The Group held 21,908,000 shares which represented approximately 1.39% of the total issued shares of Best Food as at 31 December 2022. Best Food is principally engaged in a single line of business of the operation of chain restaurants. Pursuant to Best Food's interim report for the six months ended 30 June 2022, the unaudited loss attributable to shareholders of Best Food for the six months ended 30 June 2022 was approximately RMB100.88 million and the unaudited net assets attributable to shareholders of Best Food as at 30 June 2022 was approximately RMB175.47 million. In the first half of 2022, the operation of the catering industry has been severely impacted by the recurring novel coronavirus (COVID-19) pandemic (the "**Pandemic**") in many places across the country and the intensified prevention and control measures against the Pandemic. Best Food make active efforts to mitigate the impact of disruptions caused by the Pandemic, while constantly exploring and facilitating the improvement of the core capabilities that a catering company shall possess. On the basis of ensuring sufficient cash flows and sustainable operation, Best Food makes the best use of its limited resources to develop the platform companies through operational empowerment, digital empowerment and investment empowerment and has noted phased progress. As at 30 June 2022, the number of total direct-sale stores and franchised stores of Best Food exceeded 800 (including 537 direct-sale stores and 267 franchised stores), representing a significant increase as compared with approximately 700 as at 31 December 2021. For the six months ended 30 June 2022, the Best Food's total system sales (including sales of all direct-sale stores and franchised stores of the Group's controlled and invested brands) increased by 13.4% from RMB1,084.5 million in aggregate for the six months ended 30 June 2021 to RMB1,230 million for the corresponding period of 2022. The above operating results were attributable to the breakthrough progress made by Best Food in the platform operation systems, including but not limited to the following: (a) In developing the franchise system, in the first half of 2022, Best Food focused on the development of a franchise management system and a franchise ecosystem, including improving the management policies, cultivating special business echelons, entering into strategic cooperation agreements with a number of large real estate chains, and establishing a financing platform for franchise partners. (b) In developing the omni-channel operation system, relying on its independently-developed private domain operation system, Best Food achieved a substantial increase in the number of members, which, in the form of either stored value or loyalty points, increased from approximately 16.0 million at the beginning of the year to approximately 20.0 million. Despite the fluctuations in the scale of the catering industry as impacted by the recurring Pandemic since the beginning of 2020, the Directors of Best Food believe that the upward trend of the overall scale of the catering industry has not changed and there is still huge space



for the development of the catering industry in China. Best Food noticed that chains and brands have been a prominent trend in respect of market structure. In terms of business model, the improving proportion of sales on delivery platforms, coupled with the increasing importance of group meals, Douyin live broadcast, new retail and other channels, presents opportunities for omni-channel innovation and breakthroughs in the catering industry. Best Food will continue to work hard on its established strategies, including: (1) focusing on the development of franchise business; (2) further promoting the development of digital systems; (3) actively improving operational capabilities and efficiency; and (4) making full use of investment empowerment to assist the invested brands to enhance enterprise value.

- (2) The Group held 1,576,000 shares which represented approximately 0.93% of the total issued shares of Binhai as at 31 December 2022. 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 Baihai's interim report for the six months ended 30 June 2022, the unaudited profit attributable to shareholders for the period ended 30 June 2022 was approximately HK\$258.13 million and the equity attributable to owners of Baihai as at 30 June 2022 was approximately HK\$2,222.89 million. 2022 is a crucial year for the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the PRC" ("**14th Five-Year Plan**"). In the context of the guidance under the "Dual Carbon Targets" and "14th Five-Year Plan" on the development of natural gas industry, natural gas is one of the clean energy industry whose development has been heavily supported by China in recent years, thus such market has huge potentials and opportunities. The interconnection of natural gas pipeline networks as well as improvement in LNG storage and transportation systems mentioned therein will strongly support the construction of natural gas industry chain in China. According to the statistics from scientific survey of National Energy Administration, it is estimated that China's natural gas consumption will exceed 430 billion cubic meters in 2025 and total consumption will be over 550 billion cubic meters in 2030. On the international level, the Russia-Ukraine conflict has resulted in the tight supply and demand for natural gas in Europe, the shifting from reliance on pipeline gas to reliance on LNG in Europe will drive the development of LNG production, equipment, storage and transportation, which further expands China's piping and pipeline network market and total international trade volume. From this, the pace of marketization of natural gas has accelerated, and Baihai has seized the market opportunities brought by domestic policy directions and favorable international circumstances.

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- (3) The Group held 2,130,000 shares which represented approximately 0.53% of the total issued shares of UTS as at 31 December 2022. 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 2022, the unaudited profit and total comprehensive income for the period ended 30 June 2022 was approximately RMB9.20 million and the net assets attributable to shareholders of UTS as at 30 June 2022 was approximately RMB75.25 million. As at 30 June 2022, UTS was operating nine contact centers situated within the central business district of Kuala Lumpur, Malaysia with approximately 1,282 employees. UTS's strategic objective remains unchanged, i.e. to continue focusing on the business strategies according to the details as disclosed in the section headed "Business – Business Strategies" of the prospectus of UTS dated 22 June 2017. Malaysia enters into the "Transition to Endemic" phase of COVID-19 since 1 April 2022 with all restrictions on business operating hours removed. The transition to the endemic phase is an exit strategy that would allow Malaysians to return to their near-normal life after two years of battling the pandemic. Nevertheless, UTS continues to remain cautious and maintain its efforts to improve productivity and expects the overall outlook for the second half of 2022 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 existing customer base by either working with new database owners, new insurers or takaful operators in order to improve the Group's financial performance.

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- (4) The group held 400,000 shares which represented approximately 0.03% of the total issued shares of Wantian as at 31 December 2022. Wantian engages principally in sourcing, processing and supplying food ingredients, with a focus on providing fruit and vegetables to food service operators in Hong Kong. It supplies in excess of 1,300 types of food ingredients to more than 480 customers. Pursuant to Wantian's interim report for the six months ended 30 September 2022, the unaudited loss attributable to shareholders for the six months ended 30 September 2022 was approximately HK\$8.03 million and the equity attributable to owners of Wantian as at 30 September 2022 was approximately HK\$124.35 million. After completion of the general offer in August 2021, Wantian set up its business operation points in Shenzhen and Zhongshan, and later opening two restaurants in Zhongshan as an extension of its downstream business to enhance the overall profit margin through a one-stop industry chain. At the same time, Wantian has also been actively supporting national policies to realise the vision of net-zero carbon emission by establishing a department dedicated to promoting modern agriculture and green education in primary and secondary schools and enterprises in the Greater Bay Area, with an aim of promoting a green and environmentally-friendly lifestyle and making the world a greener place. With the establishment of the headquarters in the Greater Bay Area and the fifth wave of the COVID-19 outbreak gradually under control in the middle of the year, Wantian has officially expanded its businesses into catering and environmental protection and technology in the Greater Bay Area. Looking ahead, leveraging on the extensive business experience of management and their well-established business network in the PRC, Wantian would continue to identify potential business opportunities. By adhering to the business philosophy of "People-Oriented, Pragmatism, Creativity and Honest and Responsible", the Group will set up a one-stop food industry chain system covering from the source of cultivation to the food supply chain and the catering businesses, with a view to becoming a leading service provider for good life in the PRC and a premier green brand in the Greater Bay Area.
- (5) The Group held 77,000 shares which represented approximately 0.01% of the total issued shares of Aisidi as at 31 December 2022. 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 interim report for the six months ended 30 June 2022, the unaudited profit attributable to shareholders for the period was approximately RMB408 million and the equity attributable to owners of Aisidi as at 30 June 2022 was approximately RMB5,616 million.

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- (6) The group held 2,015,000 shares which represented approximately 0.40% of the total issued shares of JLOGO as at 31 December 2022. Pursuant to JLOGO's interim report for the six months ended 30 June 2022, the unaudited loss attributable to shareholders for the period was approximately S\$0.69 million and the equity attributable to owners of Quantong as at 30 June 2022 was approximately S\$2.58 million. JLOGO is principally engaged in the business of (i) dining operations in Singapore, and (ii) artisanal bakery chain in Malaysia. JLOGO operates its dining operations in Singapore under two self-owned brands and one franchised brand. Its "Central Hong Kong Café" brand is primarily focused on offering a casual and authentic Cha Chaan Teng experience in a full service environment while its "Black Society" brand offers Chinese cuisines with a contemporary twist in a full service environment. The franchised "Greyhound Café" brand provides stylish and trendy ambience which serves a specialised Thai menu with creative twists. Its artisanal bakery chain in Malaysia offers a wide selection of artisan breads, pastries and cakes under its "Bread Story" brand. The locations of its restaurants in Singapore and its bakery retail outlets in Malaysia are vital to JLOGO's strategy of targeting areas which are high in customer traffic and easily accessible by our target customers that will help in promoting its brands image and awareness. Most global economies have rebounded strongly from this pandemic-induced woes and Singapore's economy has recorded a positive growth of 4.8% in the first half of 2022. JLOGO businesses benefitted from this rebound with most covid restrictions lifted in April 2022 both in Singapore and Malaysia. While broad-based growth will continue, economies like Singapore's where it is heavily reliant on imports will continue to face the on-going bottlenecks and disruption to supply chains exacerbated part by China's zero-covid policy as well as the ensuing Russia-Ukraine war. This double whammy has led to a spiralling hike in utilities and food costs and JLOGO is seeing a near 30% increase in almost all cost components across the board, with a ripple effect onto wage costs on the whole. Inflationary pressures have also prompted the US Federal Reserve to sharply raise interest rates and Singapore has naturally corresponded with the same and this shall translate into higher costs for businesses as well. JLOGO has adopted the direction to trim and cut down losses by closing outlets that were not profitable and JLOGO has since closed Masa Orchard Gateway in June 2022 year when the 3-year tenancy expired opting not to renew. It is encouraging to see performance results for this second quarter showing a tremendous improvement both in Singapore and Malaysia and JLOGO is optimistic that this trend will continue where JLOGO are expecting governments (except China) to entirely lift all covid restriction measures, combined with more countries opening up their borders to resume tourism and free travel. Taking note that the economic situation is still volatile, the directors of JLOGO will continue to adopt a cautious and prudent approach in adjusting its business strategy with the aim to minimise loss and improve the performance of JLOGO.




Outlook

The directors of the Company (“**Directors**”) expect the revenue generated from operations of the provision of coal mining and construction services will remain stable notwithstanding the challenges of the COVID-19 pandemic, increasing production costs, strict safety regulations 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 for its new projects. The Group will continue to actively pursue new customers so as to enlarge its customer base.

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

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, international commodity and energy prices have risen sharply since early 2022 and the high volatility in the prices of gas is expected to continue in the foreseeable future. The surge in gas prices will likely 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 are one-off in nature and dependent on the prevailing government policies. The Group considers that the inherent uncertainties of the industry cast doubt on the profitability of the provision of heating supply services which have become obstacles for the Group to identify good investment opportunities in this industry.

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 fresh produce and agricultural products. As disclosed in the announcement of the Company dated 24 June 2022, an indirect wholly-owned subsidiary of the Group and China Reserve (Guangdong) Grain Trading Limited had formed a strategic partnership 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 both parties. The cooperation would focus on the trading, logistics, storage, and supply of sugar, live pigs, rice and other staple agricultural products. During the Period, the Group started to purchase sugar from sugar factories and sold it to China Reserve (Guangdong) Grain Trading Limited, 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 the trading business will have a good business prospect and it is suitable for the development of the Group, the Group will expand the trading business to supply and trade other commodities such as sea sand so as to broaden its revenue source and expand its business portfolio.

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 of 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 ("**Original Purposes**").

The breakdown of the usage of the proceeds up to 15 November 2022 are as follows:

	Actual net proceeds <i>HK\$</i>	The cumulative usage of the 2016 Placing proceeds up to 30 Jun 2022 <i>HK\$</i>	For the period from 1 Jul 2022 to 15 Nov 2022 <i>HK\$</i>	Unutilised Proceeds as at 15 Nov 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	201 million	121 million	Nil	80 million

The remaining balance of unutilised proceeds ("**Remaining Proceeds**") was approximately HK\$80 million. On 15 November 2022, the Board proposed to reallocate the use of the Remaining Proceeds (for details, refer to the Company's announcement dated 15 November 2022) as follows:

- (i) approximately HK\$38 million of the Remaining Proceeds will be applied for working capital purpose,
- (ii) approximately HK\$22 million of the Remaining Proceeds will be applied towards paying up the registered share capital of two wholly-owned subsidiaries of the Company in the PRC which are principally engaged in conducting trading of high-quality agricultural products such as sugar, and fresh produce products such as living pigs and cattle; and
- (iii) approximately HK\$20 million of the Remaining Proceeds will be applied towards the operation of the Company's fruit trading business. (collectively the "**Revised Allocation**").

The breakdown of the usage of the Remaining Proceeds up to 31 December 2022 are as follows:

	Usage of Remaining Proceeds up to	Unutilised Remaining Proceeds as at
Remaining Proceeds	31 December 2022	31 December 2022
<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>

Fresh Produce and agricultural products

Trading

- | | | | |
|--|--------------|--------------|---------------------------------|
| (i) Paying up the registered share capital of PRC subsidiaries for trading of fresh produce and agricultural product | 22.0 million | 11.0 million | 11.0 million
<i>(Note 1)</i> |
|--|--------------|--------------|---------------------------------|

	Remaining Proceeds <i>HK\$</i>	Usage of Remaining Proceeds up to 31 December 2022 <i>HK\$</i>	Unutilised Remaining Proceeds as at 31 December 2022 <i>HK\$</i>
(ii) Operation of fruit trading business <i>(Note 3)</i>	20.0 million	9.5 million	10.5 million <i>(Note 1)</i>
Sub-total	<u>42.0 million</u>	<u>20.5 million</u>	<u>21.5 million</u>
General working capital	38.0 million	13.2 million <i>(Note 4)</i>	24.8 million <i>(Note 2)</i>
Total	<u>80.0 million</u>	<u>33.7 million</u>	<u>46.3 million</u>

In view of the above, the Directors consider that the usage of proceeds from 2016 Placing are consistent with the Original Purposes and the Revised Allocation.

Note 1: the unutilised Remaining Proceeds is expected to be used by 30 April 2023.

Note 2: the unutilised Remaining Proceeds is expected to be used by 31 July 2023.

Note 3: the proceeds is mainly used for purchasing fruits from Thailand.

Note 4: the proceeds used for general working capital including the settlement of a HK\$10 million debt due to a former note holder.

Exchange exposure

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



Material acquisitions and disposals

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

Liquidity and financial resources

As at 31 December 2022, the Group held cash and cash equivalents of approximately HK\$146.97 million (30 June 2022: HK\$156.49 million). Net current assets amounted to approximately HK\$302.91 million (30 June 2022: HK\$338.59 million). As at 31 December 2022, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.42 times (30 June 2022: 4.33 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.28 (30 June 2022: 0.22). The Group did not have bank borrowing as at 31 December 2022 (30 June 2022: Nil).

Pledged bank deposit

As at 31 December 2022, a bank deposit of RMB5,000,000 (30 June 2022: nil) was pledged to a bank to secure general banking facilities granted to the Group.

Employee information

As at 31 December 2022, there were 538 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 2022, 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 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 31 December 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 (Note 1)	Held by controlled entity	2,054,380,000	27.42%
Redwood Bay Investment Group International Company Limited (Note 1)	Beneficial owner	2,054,380,000	27.42%
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 2,054,380,000 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 31 December 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.



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 confirmed that they 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 interim report of the Company for the six months ended 31 December 2022. 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 C.2.1 of the Corporate Governance Code ("**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, Mr. Cai Da is the chairman of the Company. Mr. Cai Da as the chairman is responsible for providing leadership to and ensuring the effectiveness of the Board, and performing the roles of the chairman for the purposes of the articles of association of the Company, the Corporate Governance Code and the GEM Listing Rules, for overall leadership in the strategic development of the business of the Group. Further, following the resignation of the chief executive officer of the Company in 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 of the Company collectively. The Board will keep reviewing the current structure of the Board and the need of appointment of a new chief executive. Appointment will be made to fill the post to comply with code provision C.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. Chen Xier, Mr. Huang Tianhua and Ms. Lei Ming.

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

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

Hong Kong, 8 February 2023

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