



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)

Third Quarterly Report **2022/23**

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THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company announces herewith the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 31 March 2023, together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2023

	Notes	Three months ended		Nine months ended	
		31 March		31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	1,515,547	79,998	3,941,685	131,111
Cost of services rendered		(1,510,242)	(78,112)	(3,931,896)	(123,109)
Gross profit		5,305	1,886	9,789	8,002
Other income	4	4,394	4,434	6,589	7,552
Other gain/(loss)		3,368	(3,566)	(775)	475
Administrative and other operating expenses		(7,450)	(8,584)	(31,967)	(31,372)
Reversal of impairment loss recognized in respect of trade and other receivables		-	-	7,252	-
Finance costs	6	(115)	(335)	(851)	(1,180)
Profit (loss) before tax		5,502	(6,165)	(9,963)	(16,523)
Income tax expenses	7	(412)	(590)	(2,245)	(1,653)
Profit (loss) for the period	5	5,090	(6,755)	(12,208)	(18,176)

	<i>Notes</i>	Three months ended		Nine months ended	
		31 March		31 March	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period attributable to:					
– Owners of the Company		4,948	(4,955)	(11,254)	(16,091)
– Non-controlling interests		142	(1,800)	(954)	(2,085)
		5,090	(6,755)	(12,208)	(18,176)
Earning (loss) per share					
– Basic and diluted					
(HK cents per share)	9	0.07	(0.07)	(0.15)	(0.21)
Profit (loss) for the period		5,090	(6,755)	(12,208)	(18,176)
Other comprehensive income (expense) for the period, net of tax					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		646	8,653	(13,218)	15,068
Total comprehensive income (expense) for the period, net of income tax:		5,736	1,898	(25,426)	(3,108)
Total comprehensive income (expense) for the period attributable to:					
– Owners of the Company		5,565	3,656	(27,544)	(1,054)
– Non-controlling interests		171	(1,758)	2,118	(2,054)
		5,736	1,898	(25,426)	(3,108)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2023

	Attributable to owners of the Company							
	Share capital HK\$'000	Distribution reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Retained earning (accumulated losses) HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity 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	-	-	-	-	(11,254)	(11,254)	(954)	(12,208)
Exchange differences on translating foreign operations	-	-	(16,290)	-	-	(16,290)	3,072	(13,218)
Total comprehensive (expense) income for the period	-	-	(16,290)	-	(11,254)	(27,544)	2,118	(25,426)
Balance at 31 March 2023 (Unaudited)	74,926	288,469	(36,404)	2,882	(760)	329,113	(1,505)	327,608

	Attributable to owners of the Company							
	Share capital HK\$'000	Distribution reserve HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Retained earning (accumulated losses) HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity 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	-	-	-	-	(16,091)	(16,091)	(2,085)	(18,176)
Exchange differences on translating foreign operations	-	-	15,037	-	-	15,037	31	15,068
Total comprehensive income (expense) for the period	-	-	15,037	-	(16,091)	(1,054)	(2,054)	(3,108)
Capital contribution by non-controlling interest	-	-	-	-	-	-	5,983	5,983
Balance at 31 March 2022 (Unaudited)	74,926	288,469	(4,932)	2,882	3,366	364,711	3,995	368,706

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

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 were principally engaged in the (i) trading of fresh produce and agricultural products; (ii) general trading; (iii) provision of coal mining and construction services; (iv) provision for heating supply services; and (v) provision of money lending services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the nine months ended 31 March 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated results have been prepared under the historical cost basis except for certain financial instruments which are measured at their fair values.

The accounting policies and methods of computation applied in preparation of the unaudited condensed consolidated results for the nine months ended 31 March 2023 are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 30 June 2022.

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		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
– Trading of fresh produce and agricultural products	1,396,296	56,999	3,757,989	58,931
– General trading	84,890	–	84,890	–
– Provision of excavation works and construction works	29,077	15,940	87,848	56,283
– Provision for heating supply services	3,751	3,940	6,096	6,440
	<u>1,514,014</u>	<u>76,879</u>	<u>3,936,823</u>	<u>121,654</u>
Revenue from other source				
– Interest income from money lending services	1,533	3,119	4,862	9,457
	<u>1,515,547</u>	<u>79,998</u>	<u>3,941,685</u>	<u>131,111</u>

4. OTHER INCOME

	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on bank deposits	413	53	671	222
Handling income	1	1,310	207	3,425
Government grants	3,641	3,069	4,986	3,826
Dividend income from equity securities	-	2	96	79
Sundry income	339	-	629	-
	<u>4,394</u>	<u>4,434</u>	<u>6,589</u>	<u>7,552</u>

5. PROFIT (LOSS) FOR THE PERIOD

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	664	889	2,032	2,288
Depreciation of right-of-use assets	419	129	1,242	388

6. FINANCE COSTS

	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on amount due to a former noteholder	141	303	710	1,015
Imputed interest in lease liabilities	17	32	64	151
Other interest expense	(43)	–	77	14
	<u>115</u>	<u>335</u>	<u>851</u>	<u>1,180</u>

7. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current profits tax:				
– Hong Kong	23	13	28	67
– People's Republic of China ("PRC")	389	577	2,217	1,586
	<u>412</u>	<u>590</u>	<u>2,245</u>	<u>1,653</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 March 2023.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period ended 31 March 2023 (2022: 25%).

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

8. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2023 (2022: Nil).

9. EARNING (LOSS) PER SHARE

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

	Three months ended 31 March		Nine months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Earning (loss)				
Earning (loss) for the purpose of basic and diluted earning (loss) per share (for the period attributable to owners of the Company)	<u>4,948</u>	<u>(4,955)</u>	<u>(11,254)</u>	<u>(16,091)</u>
	Number of Shares '000	Number of Shares '000	Number of Shares '000	Number of Shares '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earning (loss) per share	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>	<u>7,492,562</u>

Diluted earning (loss) per share was the same as the basic earning (loss) per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 31 March 2022 and 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the nine months ended 31 March 2023 (the “**Period**”), the Group recorded a revenue of approximately HK\$3,941.69 million (2022:HK\$131.11 million), representing an increase of approximately 30 times as compared with that of the corresponding period in 2022. 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 increased from approximately HK\$8.00 million for the nine months ended 31 March 2022 to HK\$9.79 million for the Period while its gross profit margin decreased from 6.10% for the corresponding period in 2022 to 0.25% 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\$6.59 million (2022: HK\$7.55 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\$0.78 million (2022: gain of HK\$0.48 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\$31.97 million (2022: HK\$31.37 million) and finance costs in the amount of HK\$0.85 million (2022: HK\$1.18 million). The Group recorded income tax expenses of HK\$2.25 million (2022: HK\$1.66 million).



The Group recorded a reversal of impairment loss recognized in respect of trade and other receivables in the amount of HK\$7.25 million (2022: 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\$11.25 million (2022: HK\$16.09 million).

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\$87.85 million (2022: HK\$56.28 million) from the provision of coal mining & construction services to two customers which accounted for 2.23% 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 before taxation of approximately HK\$8.32 million (2022: HK\$8.55 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. Individual borrowers accounted for approximately 85% 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\$0.4 million to HK\$7.0 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\$2.74 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 March 2023, the Group's largest customer and the top five customers of this segment in aggregate constituted approximately 7.7% and 37.6% 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\$4.86 million (2022: HK\$9.46 million) which accounted for 0.12% 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 before taxation of approximately HK\$1.47 million during the Period (2022: HK\$4.63 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\$6.10 million (2022: HK\$6.44 million), which accounted for 0.16% of the Group's total revenue, and a gross loss of approximately HK\$4.83 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\$4.90 million as other income from the PRC government. After taking into account the relevant administrative costs, this segment recorded a loss before taxation of approximately HK\$1.79 million (2022: HK\$2.20 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\$3,757.99 million, which accounted for 95.34% of the Group's total revenue, a gross profit of approximately HK\$10.58 million, and a segment profit before taxation of HK\$4.30 million (2022: loss of HK\$3.54 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.

General trading


The Group expanded the trading business to supply and trade sea sands in January 2023. During the Period, the Group recorded a revenue of approximately HK\$84.89 million, which accounted for 2.15% of the Group's total revenue, a gross profit of approximately HK\$2.51 million from the trading of sea sands.

Investment in listed securities

As at 31 March 2023, 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\$27.64 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\$0.78 million (2022: gain of HK\$0.48 million).

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 March 2023 are as follows:

	Remaining Proceeds <i>HK\$</i>	Usage of Remaining Proceeds up to 31 March 2023 <i>HK\$</i>	Unutilised Remaining Proceeds as at 31 March 2023 <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>
(ii) Operation of fruit trading business <i>(Note 3)</i>	20.0 million	<u>9.5 million</u>	10.5 million <i>(Note 2)</i>
Sub-total	42.0 million	20.5 million 34.9 million	21.5 million 3.1 million
General working capital	<u>38.0 million</u>	<u><i>(Note 4)</i></u>	<u><i>(Note 2)</i></u>
Total	<u>80.0 million</u>	<u>55.4 million</u>	<u>24.6 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 has been fully utilized at the date of this report.

Note 2: the unutilised Remaining Proceeds is expected to be used by 30 June 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\$30 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 March 2023, the Group held cash and cash equivalents of approximately HK\$79.05 million (30 June 2022: HK\$156.49 million). Net current assets amounted to approximately HK\$309.25 million (30 June 2022: HK\$338.59 million). As at 31 March 2023, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.64 times (30 June 2022: 4.33 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.26 (30 June 2022: 0.22). The Group did not have bank borrowing as at 31 March 2023 (30 June 2022: Nil).

Pledged bank deposit

As at 31 March 2023, 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 March 2023, there were 565 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 March 2023, 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 March 2023, none of the Directors and the Chief Executives had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

To the best knowledge of the Directors, at no time during the 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 March 2023, so far as is known to the Directors and the Chief Executives, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as follows:

Long position in ordinary shares of HK\$0.01 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	2,054,380,000	27.42%
Redwood Bay Investment Group International Company Limited <i>(Note 1)</i>	Beneficial owner	2,054,380,000	27.42%
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 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 March 2023, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.



Share 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.

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, 9 May 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.