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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	3	**5,161,841**	705,041
Cost of goods sold and services rendered		**(5,150,709)**	(691,852)
Gross profit		**11,132**	13,189
Other income	5	**6,659**	8,333
Other gains	6	**6,306**	1,322
Administrative and other operating expenses		**(42,689)**	(38,960)
Impairment loss recognised in respect of property, plant and equipment		**–**	(5,918)
Impairment loss reversed in respect of trade and other receivables		**6,506**	21,936
Impairment loss reversed (recognised) in respect of loan receivables		**8,062**	(11,461)
Impairment loss reversed (recognised) in respect of contract assets		**3,134**	(957)
Finance costs		**(1,560)**	(1,649)
Loss before taxation		**(2,450)**	(14,165)
Income tax (expense) credit	7	**(2,229)**	1,650
Loss for the year	8	**(4,679)**	(12,515)
Profit (loss) for the year attributable to:			
– Owners of the Company		**1,459**	(8,963)
– Non-controlling interests		**(6,138)**	(3,552)
		(4,679)	(12,515)
			(Restated)
EARNINGS (LOSS) PER SHARE			
Basic and diluted *(HK cents per share)*		**0.39**	(2.39)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTE	2023 HK$'000	2022 HK$'000
Loss for the year		**(4,679)**	(12,515)
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(19,847)**	(282)
Total comprehensive expense for the year		**(24,526)**	(12,797)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(18,404)**	(9,108)
– Non-controlling interests		**(6,122)**	(3,689)
		(24,526)	(12,797)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**14,447**	6,795
Right-of-use assets		**2,916**	2,263
Goodwill		**–**	–
Customer contracts		**–**	–
Deferred tax assets		**3,782**	6,108
		21,145	15,166
Current assets			
Inventories		**2,330**	6,128
Trade, bills and other receivables	*10*	**222,513**	136,482
Loan receivables	*11*	**74,788**	82,980
Contract assets		**14,010**	27,684
Financial assets at fair value through profit or loss		**34,331**	30,518
Pledged bank deposits		**5,540**	–
Restricted bank deposits		**554**	–
Bank balances and cash		**105,081**	156,490
		459,147	440,282
Current liabilities			
Trade, bills and other payables	*12*	**103,708**	46,875
Lease liabilities		**1,601**	5,096
Amount due to a former noteholder		**–**	41,206
Other borrowing		**13,296**	–
Income tax payables		**8,096**	8,512
		126,701	101,689
Net current assets		**332,446**	338,593
Total assets less current liabilities		**353,591**	353,759

	NOTES	**2023**	2022
		HK$'000	*HK$'000*
Non-current liability			
Lease liabilities		**1,342**	725
Net assets		**352,249**	353,034
Capital and reserves			
Share capital		**74,926**	74,926
Reserves		**271,159**	281,731
Equity attributable to owners of the Company		**346,085**	356,657
Non-controlling interests		**6,164**	(3,623)
Total equity		**352,249**	353,034

1. GENERAL

Silk Road Energy Services Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements of the annual report.

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

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 July 2022.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to IFRSs 2018-2020 cycle

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 12	International Tax Return-Pillar Two Model Rules[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

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

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

3. REVENUE

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

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Trading of fresh produce and agricultural products	**5,016,381**	610,585
– General trading *(note)*	**6,254**	–
– Provision of excavation works	**58,451**	46,105
– Provision of construction works	**68,622**	31,722
– Provision of heating supply services	**6,081**	6,393
	5,155,789	694,805
Revenue from other source		
– Interest income from money lending business	**6,052**	10,236
	5,161,841	705,041

Note: Revenue from general trading is recognised on a net basis.

Disaggregation of revenue from contracts with customers by timing of recognition

	2023	2022
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point of time	**5,028,716**	616,978
Over time	**127,073**	77,827
Total revenue from contracts with customers	**5,155,789**	694,805

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

For the year ended 30 June 2023	Trading of fresh produce and agricultural products and general trading *HK$'000*	Coal mining and construction services *HK$'000*	Heating supply services *HK$'000*	Total *HK$'000*
Revenue from services:				
Trading of fresh produce and agricultural products	5,016,381	–	–	5,016,381
General trading	6,254	–	–	6,254
Provision of excavation works	–	58,451	–	58,451
Provision of construction works	–	68,622	–	68,622
Provision of heating supply services	–	–	6,081	6,081
	5,022,635	127,073	6,081	5,155,789
Revenue from the geographical market:				
The PRC	5,022,635	127,073	6,081	5,155,789

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

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

As at 30 June 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$50,426,000 (2022: nil) which represents revenue expected to be recognised in the future from provision of construction works..

As at 30 June 2023 and 2022, the other service contracts are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

4. SEGMENT INFORMATION

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

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

- Trading of fresh produce and agricultural products and general trading – Provision of trading of fruit and agricultural products and general trading

- Coal mining and construction services – Provision of excavation works and construction works

- Money lending – Provision of money lending services in Hong Kong and the PRC

- Heating supply services – Provision of heating supply services

Segment revenue and results

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

	Segment revenue		Segment results	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading of fresh produce and agricultural products and general trading	**5,022,635**	610,585	**4,104**	(1,518)
Coal mining and construction services	**127,073**	77,827	**(8,138)**	13,662
Money lending	**6,052**	10,236	**8,362**	(8,312)
Heating supply services	**6,081**	6,393	**(3,650)**	(10,010)
Total	**5,161,841**	705,041	**678**	(6,178)
Certain other income			**1,518**	981
Other gains			**6,306**	1,322
Certain finance costs			**(738)**	(1,357)
Central administrative costs			**(10,214)**	(8,933)
Loss before taxation			**(2,450)**	(14,165)

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Interest income on bank deposits	**973**	257
Government grants *(note)*	**4,517**	3,856
Handling income on packing coal	**168**	3,549
Dividend income from equity securities	**449**	639
Gain on termination of lease	**41**	–
Sundry income	**511**	32
	6,659	8,333

Note:

Various local government grants were granted to subsidiaries of the Group for subsidising the operations in the PRC during the years ended 30 June 2023 and 2022.

In addition, during the year ended 30 June 2023, the Group recognised government grants of HK$112,000 (2022: nil) in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

There is no unfulfilled condition in relation to the recognition of the subsidy income and therefore the full amount was recognised as income during the years ended 30 June 2023 and 2022.

6. OTHER GAINS

	2023	2022
	HK$'000	*HK$'000*
Gain on disposal of an associate	**–**	1,001
Fair value changes on financial assets at FVTPL	**6,306**	321
	6,306	1,322

7. INCOME TAX EXPENSE (CREDIT)

	2023	2022
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Under-provision in prior years	**–**	319
PRC Enterprise Income Tax		
Current year	**755**	1,375
Over-provision in prior years	**(552)**	–
Deferred tax:		
Current year	**2,026**	(3,344)
	2,229	(1,650)

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profit for the year ended 30 June 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 year ended 30 June 2023 (2022: 25%). Certain subsidiaries were subject to EIT at a rate of 5% for RMB3 million of profits, as they were classified as a small and low profit enterprise during the years ended 30 June 2023 and 2022.

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

8. LOSS FOR THE YEAR

	2023	2022
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Employee benefits expenses:		
Directors' emoluments	**2,423**	2,865
Other staffs' salaries, wages and other benefits	**74,696**	59,639
Other staffs' retirement benefits scheme contributions	**3,745**	2,874
Total employee benefits expenses	**80,864**	65,378
Auditor's remuneration	**1,430**	1,300
Depreciation of property, plant and equipment	**3,085**	4,331
Depreciation of right-of-use assets	**1,609**	1,733
Loss on disposal/write-off of property, plant and equipment	**1,705**	4
Cost of inventories recognised as expenses (included in cost of goods sold and services rendered)	**5,004,501**	607,662

9. EARNINGS (LOSS) PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (for the year attributable to owners of the Company)	**1,459**	(8,963)

	Number of shares	Number of shares
	'000	*'000*
		(Restated)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**374,628**	374,628

The number of ordinary shares for the year ended 30 June 2022 for the purpose of calculating basic and diluted loss per share have been adjusted for the capital reorganisation during the year ended 30 June 2023. For details, please refer to note 31 in annual report.

Diluted earnings (loss) per share was the same as the basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding during the years ended 30 June 2023 and 2022.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**140,632**	56,400
Less: allowance for impairment of trade receivables	**(1,673)**	(8,676)
	138,959	47,724
Bills receivables	**1,108**	13,347
Receivables arising from dealing in listed securities	**3,066**	261
Prepayments	**44,180**	57,529
Amount due from non-controlling interests	**17,821**	–
Other deposits paid, net of allowance for impairment	**14,859**	17,534
Other receivables, net of allowance for impairment	**2,520**	87
	222,513	136,482

As at 30 June 2023, the gross amount of trade and bills receivables arising from contracts with customers amounting to approximately HK$141,740,000 (2022: HK$69,747,000).

All the bills receivables are aged within 180 days (2022: 180 days).

Note:

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

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**95,494**	37,427
31–60 days	**13,822**	3,402
61–90 days	**27,449**	118
91–180 days	**2,059**	–
181–365 days	**135**	–
Over 1 year	**–**	6,777
	138,959	47,724

11. LOAN RECEIVABLES

	2023	2022
	HK\$'000	*HK\$'000*
Loans	**90,710**	108,164
Less: impairment losses recognised	**(15,922)**	(25,184)
	74,788	82,980

At 30 June 2023, other than a loan to a third party with an aggregate principal and accrued interest amounting to approximately HK\$2,742,000 (2022: HK\$2,380,000) is secured by a second charge of a property, all other loans to third parties with an aggregate principal and accrued interest of approximately HK\$72,046,000 (2022: HK\$80,600,000) are unsecured, bear fixed interest ranging from 6% to 18% (2022: 5% to 18%) per annum and are repayable within one year and thus classified as current assets. Loan receivables of HK\$28,714,000 (2022: HK\$37,465,000) are guaranteed by guarantors.

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

12. TRADE, BILLS AND OTHER PAYABLES

	2023	2022
	HK\$'000	*HK\$'000*
Trade payables	**68,148**	6,224
Bills payables	**5,540**	–
Deposits received	**645**	2,335
Accrued mining service costs on excavation works	**211**	949
Accrued staff costs	**18,078**	24,905
Other tax payables	**6,002**	9,099
Accrued expenses	**1,580**	1,449
Other payables	**3,504**	1,914
	103,708	46,875

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

	2023	2022
	HK\$'000	*HK\$'000*
0–30 days	**44,111**	2,393
31–60 days	**–**	1,746
61–90 days	**4,207**	63
Over 90 days	**25,370**	2,022
	73,688	6,224

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the year ended 30 June 2023 (the "Year"), the Group recorded a revenue of approximately HK$5,161.84 million (2022:HK$705.04 million), representing an increase of 632% as compared with that of the corresponding year in 2022. The increase in revenue was mainly due to the new business in trading of fresh produce and agricultural products which achieved operational maturity during the Year. The Group's gross profit and its overall gross profit margin decreased from HK$13.19 million and 1.87% for the corresponding year in 2022 to HK$11.13 million and 0.22% for the Year respectively. The decrease in gross profit and gross profit margin was mainly due to (i) a slight gross profit was recorded in the segment of the provision of coal mining services and construction services, (ii) a gross loss was recorded in the segment of the provision of heating supply services, (iii) a 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$6.66 million (2022: HK$8.33 million) for the Year. The decrease in other income was due to the significant decrease in handling income for packing coal during the Year. The Group recorded a gain of HK$6.31 million (2022: HK$1.32 million) from investments in listed securities.

The Group recorded administrative and other operating expenses in the amount of HK$42.69 million (2022: HK$38.96 million) and finance costs in the amount of HK$1.56 million (2022: HK$1.65 million). The Group recorded an income tax expense of HK$2.23 million (2022: tax credit of HK$1.65 million), with the change mainly due to the decrease in deferred tax liabilities written back.

The Group recorded a reversal of impairment loss recognized in respect of trade and other receivables in the amount of HK$6.51 million (2022: HK$21.94 million). The reversal was due to the aging of the Group's account receivables having been reduced as the Group successfully recovered certain long-term receivables from customers during the Year. The Group recorded a reversal of impairment loss recognized in respect of contract assets in the amount of HK$3.13 million (2022: provision of HK$0.96 million). The reversal was mainly due to the Group having received most of the retention money from the customers during the Year. The Group recorded a reversal of impairment loss in respect of loan receivables in the amount of HK$8.06 million (2022: provision of HK$11.46 million). The reversal was mainly due to the Group having received outstanding repayments from certain borrowers.

In conclusion, the Group's loss for the Year amounted to approximately HK$4.68 million (2022: HK$12.52 million). The reduction in loss was mainly due to the reversal of impairment loss recognized in respect of loan receivables for the Year. After taking the loss share by the non-controlling interest, the profit attributable to owners of the Company for the Year amounted to approximately HK$1.46 million (2022: loss of HK$8.96 million).

PROVISION OF COAL MINING SERVICES & CONSTRUCTION SERVICES

The revenue of this segment comprises service income from provision of excavation works and construction works. During the Year, the Group recorded a revenue of approximately HK$127.07 million (2022: HK$77.83 million) from the provision of coal mining & construction services to two customers which accounted for 2.46% 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 slight gross profit of approximately HK$1.06 million which was mainly due to (i) additional costs 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 still in the preliminary stage in which substantial expenses were incurred. After taking into account the relevant administrative costs, the reversal of impairment losses recognized in respect of the trade receivables and the contract assets, this segment recorded a loss of approximately HK$8.14 million (2022: profit of HK$13.66 million).

MONEY LENDING BUSINESS

During the Year, the revenue from loan interest income was approximately HK$6.05 million (2022: HK$10.24 million) which accounted for 0.12% of the Group's total revenue. The decrease in revenue was mainly attributable to the decline in loan balances as the Group was more cautious in granting loans. This segment recorded a profit of approximately HK$8.36 million (2022: Loss of HK$8.31 million) during the Year. As the economies of the PRC and Hong Kong gradually recovered after the easing of pandemic-related restrictions, the financial positions of certain borrowers have improved and they have settled their outstanding loans. Subsequent to the Year, around 39% of outstanding loans balances at 30 June 2023 have been settled. Accordingly, the expected credit losses for the loan receivables decreased and a reversal of HK$8.06 million impairment loss recognized in respect of loan receivables was made.

The Group operates its money lending business in Hong Kong through Great Wall Credit Limited ("HK Subsidiary"), an indirect wholly-owned subsidiary of the Company which is a licensed money lender under the Money Lenders Ordinance (Cap. 163 of the laws of Hong Kong), and in the PRC through Smart City (Shenzhen) Investment Company Limited ("SZ Subsidiary"), another indirect wholly-owned subsidiary of the Company, respectively. Loan financing is the only money lending service provided by the Group, and the Group's customers principally include individuals introduced to the directors of the HK Subsidiary and the SZ Subsidiary through business or personal networks or referral from business counterparts of the Group. The loans granted by the Group are short-term and all of the outstanding loans originally have a term of no more than one year but certain loans were overdue. The Group does not have a specific target loan size but assesses each application on the basis of its merit and will determine whether security in the form of legal charge on property or personal guarantee provided by independent third party would be required.

As at 30 June 2023, the Group had 22 borrowers, of which 18 were individual borrowers and 4 were corporate borrowers, and a total of 22 outstanding loans ("Outstanding Loans" and each an "Outstanding Loan"). A breakdown of the Outstanding Loans granted by the relevant subsidiary is as follows:

1. A total of 21 Outstanding Loans were granted by the SZ Subsidiary to 17 individual borrowers and 4 corporate borrowers. Amongst the 21 Outstanding Loans, 11 were respectively secured by personal guarantees provided by third party guarantors while the remaining 10 Outstanding Loans were unsecured.

2. 1 Outstanding Loan was granted by the HK Subsidiary to an individual borrower and was secured by a second charge on a property situated in Hong Kong.

The outstanding balance (including interest receivables) of each Outstanding Loan ranged from approximately HK$100,000 to HK$7,000,000 with interest rate ranging from 6.0% to 18.0% per annum. The loan portfolio of the Group fell within the following bands:

Outstanding balances of Outstanding Loans	**Number of Outstanding Loans within the band**
HK$6,000,001 to HK$7,000,000	6
HK$4,500,001 to HK$6,000,000	5
HK$3,000,001 to HK$4,500,000	4
HK$1,500,001 to HK$3,000,000	2
HK$0 to HK$1,500,000	5

As at 30 June 2023, the top five borrowers of the Group constituted 35.26 % of the total principal amount of the Group's loan portfolio and 37.15% of the Group's loan receivables (including interest receivables).

The board of directors of the HK Subsidiary, which members include Mr. Cai Da ("Mr. Cai"), an executive Director, is responsible for the management and operation of the HK Subsidiary and its money lending business, and is supported by employees who are qualified accountants. The directors of the HK Subsidiary, who have valuable experience in the management of money lending business, oversee the HK Subsidiary's money lending business and ensure that the relevant internal control procedures are performed properly.

In particular, Mr. Cai has extensive experience in financial management and corporate finance. He has been a director of several listed companies in Hong Kong during the past ten years. He has also been the vice president of the Shenzhen General Chamber of Commerce since June 2012.

The sole director of the SZ Subsidiary who is also its financial controller is responsible for the management and operation of the SZ Subsidiary, and together with Mr. Cai, oversee the money lending business of the Group. Each loan granted by the SZ Subsidiary must be approved by both the director of the SZ Subsidiary and Mr. Cai. The director of the SZ Subsidiary has solid experience in the management of money lending business.

The director of the SZ Subsidiary and Mr. Cai are supported by the finance department of the SZ Subsidiary and its risk management manager. The risk management manager is responsible for conducting preliminary assessment and creditworthiness assessment for each loan application, drafting and preparing the relevant loan agreement, seeking opinions from the external legal advisor of the SZ Subsidiary, monitoring the loan repayments and taking action to recover delinquent loans. The risk management manager undergoes training in respect of compliance with Listing Rules and other listed companies-related matters. She has also been assigned to other companies to shadow the entire procedure of due diligence, loan application assessment and monitoring process of loan repayment. The risk management manager is experienced in each procedure of the operation of the money lending business. The finance department of the SZ Subsidiary is responsible for determining the appropriate interest payment of each loan based on factors including but not limited to the principal amount, prevailing interest rate, the term of the loan and keeping accounting record of the repayments made in respect of each loan. The SZ Subsidiary engages qualified PRC lawyers as its external legal advisors and also arranges training for its staff on the proper conduct and risk management of money lending business, such as property valuation, client due diligence, property mortgage, share pledge and enforcement of security.

The Group has put in place internal control procedures for its money lending business and has tailor-made such procedures for each of the HK Subsidiary and the SZ Subsidiary according to their business needs, operation models and regulatory requirements in the relevant jurisdiction.

Approval process for granting loan

HK Subsidiary

The established process of assessing loan applications of the HK Subsidiary is as follows:

1. Document collection – Loan applicants are required to submit a number of supporting documents and information in order for the HK Subsidiary to assess their applications, including but not limited to application form, identification documents, address proof, marital status documents, business registration certificate (for corporate applicant), income proof, employment status proof, bank statements for the past year and a list of assets and liabilities of the applicants. If the applicants own any real property(ies) or have mortgage(s) on their property(ies), the HK Subsidiary will also conduct land search and online valuation of such property(ies).

2. Assessment of repayment ability and creditworthiness – The finance department of the HK Subsidiary will have a preliminary assessment of the applicants' background and their repayment ability based on the supporting documents provided and the results of legal and financial due diligence. The finance department and/or director(s) of the HK Subsidiary will conduct face-to-face interviews to make further in-depth enquiries in the applicants' background and repayment ability.

3. Board discussion – If the finance department of the HK Subsidiary and its director(s) responsible are of the view that the relevant applicant has sufficient repayment ability and creditworthiness, the company secretary of the HK Subsidiary will report the assessment result of the applicant to the board of directors of the HK Subsidiary for their internal discussion as to the maximum allowed principal amount and interest rate for the applicant. The board of directors will hold a board meeting to approve the terms of the loan agreement and the loan thereunder.

4. Signing of loan agreement – The terms and conditions of the loan agreements will be prepared by the finance department of the HK Subsidiary after the board of directors has granted the relevant approval. Before signing the loan agreements, the company secretary or a director of the HK Subsidiary will explain the terms and conditions of the loan agreements and the relevant implications to the applicants. It will be put on record that the applicants have been properly advised of the terms and conditions of the loan agreements.

SZ Subsidiary

The established process of assessing loan applications of the SZ Subsidiary is as follows:

1. Document collection – Loan applicants are required to submit a number of supporting documents and information to facilitate the SZ Subsidiary's preliminary assessment of the background of the applicants, including but not limited to application form, identification documents, address proof, marital status documents, income proof, employment status proof, bank statements for the past year, a list of assets and liabilities of the applicants, existing loan agreement(s) (if any), business license (for corporate applicant), memorandum and articles of association (for corporate applicant), recent financial statements (for corporate applicant), identification documents of the legal representative and majority shareholder(s) (for corporate applicant) and the corporate creditworthiness report (for corporate client).

2. Assessment of repayment ability and creditworthiness – The risk management manager of the finance department of the SZ Subsidiary is responsible for conducting a preliminary assessment of the applicants' background, their creditworthiness and repayment ability based on the supporting documents provided and will report to the director of the SZ Subsidiary. The director of the SZ Subsidiary and Mr. Cai will together determine whether to approve the loan applications, the terms of the loan agreements (including but not limited to the principal amount, interest rate, maturity date, whether security is needed) based on the assessment results.

3. Signing of loan agreement – The officer of the SZ Subsidiary will explain the terms and conditions of the loan agreements and the relevant implications to the applicants prior to the signing of the agreements.

Credit risk assessment policy

HK Subsidiary

As part of the approval process of loan applications, the HK Subsidiary will carry out credit risk assessment on each applicant including but not limited to client identification, financial and legal due diligence, repayment ability assessment and creditworthiness assessment. Through the above procedures, the HK Subsidiary assesses its credit exposure and compliance risk in so far as anti-money laundering or anti-terrorist financing laws and regulations are concerned.

SZ Subsidiary

As part of the SZ Subsidiary's standard procedure, various credit risk assessments, which include but are not limited to client identification, financial and legal due diligence, repayment ability assessment and creditworthiness assessment will be conducted on each applicant. Through the above procedures, the SZ Subsidiary considers that its exposure to default is minimized.

Mechanism in determining loan terms to ensure they are fair and reasonable

HK Subsidiary

To ensure the terms of the loan agreements are fair and reasonable, the HK Subsidiary determines the terms with regard to factors including but not limited to the creditworthiness of the borrower, the principal amount of the loan, the predicted recoverability of the loan and the prevailing market interest rate. Also, the terms of the loan agreement in each case will be fine-tuned and tailored to the specific circumstances of the particular borrower and will be reviewed by the board of directors of the HK Subsidiary before they approve the loan agreement for signing with the borrower.

SZ Subsidiary

The risk management manager of the SZ Subsidiary drafts the terms of each loan agreement with regard to factors including but not limited to the creditworthiness of the borrower, the principal amount of the loan, the recoverability of the loan, the prevailing market interest rate and whether the borrower has provided any asset as security to ensure they are fair and reasonable. The sole director of the SZ Subsidiary ensures that the interest rate of each loan granted is in compliance with the loan policy of the PRC and not exceeding 400% of the PRC one-year loan prime rate. Also, the terms of the loan agreement in each case will be fine-tuned and tailored to the specific circumstances of the particular borrower and will be reviewed by Mr. Cai before he approves the signing of the loan agreement with the borrower.

Monitoring loan repayment and recovery

HK Subsidiary

Employees of the finance department of the HK Subsidiary are responsible for monitoring the status of loan repayment and keeping accounting records for monthly audit of the loan balance to ensure that all borrowers have made repayment on time in accordance with the terms of the relevant loan agreement. The employees and directors of the HK Subsidiary are also in regular communication with the borrowers regarding their financial positions and credit profiles to have an up-to-date understanding of their repayment ability and creditworthiness. The relevant employees will alert directors of the HK Subsidiary in the event of late repayment, material changes to the repayment ability or creditworthiness of borrowers or any other events which indicate the recovery of the loan may be at risk. Additionally, the management gives quarterly reports on the money lending business to the Board, which includes a summary of overdue unsecured loans.

SZ Subsidiary

The risk management manager of the SZ Subsidiary is responsible for the continuous monitoring of the status of loan repayment and creditworthiness of borrowers through monthly credit check and litigation search in respect of the borrowers. Regarding borrowers who have history of default, such checks will be conducted more frequently. Alerts will be sent to the finance department and the board of directors of the SZ Subsidiary in the event of late repayment, material changes to the repayment ability or creditworthiness of borrowers or any other events which indicate that the borrowers may not be able to repay the loan in accordance with the terms of the loan agreement. Additionally, the management gives quarterly report on the money lending business to the Board, which includes a summary of unsecured overdue loans.

As regards the Outstanding Loans, the director of the SZ Subsidiary and Mr. Cai have been in regular communication with the borrowers of the Outstanding Loans regarding their latest financial positions and continue to negotiate for a satisfactory settlement proposal of the Outstanding Loans.

Taking actions on delinquent loans

HK Subsidiary

If a borrower does not make any repayment in accordance with the loan agreement, the finance department will promptly report to the board of directors of the HK Subsidiary. A director or the finance department will make inquiry with the relevant borrower as to the reason for the late payment and the estimated repayment schedule. The board of directors of the HK Subsidiary will review the proposed repayment schedule of such borrower to determine the necessary actions to be taken to recover the outstanding loan. If the settlement proposal of the outstanding loan of the borrower is not satisfactory to the board, then the board may decide to commence legal proceedings against such borrower to recover the loan principal and outstanding interest.

SZ Subsidiary

If a borrower does not make any repayment in accordance with the loan agreement, the risk management manager will make inquiry with the relevant borrower as to the reason for the late payment and the estimated repayment schedule and will report the same to the sole director of the SZ Subsidiary and Mr. Cai. They will review the proposed repayment schedule of such borrower and the proposed treatment of the delinquent loan as recommended by the risk management manager and discuss the necessary actions to be taken to recover the outstanding loan. If the settlement proposal of the outstanding loan of the borrower is not satisfactory to the sole director of the SZ Subsidiary and Mr. Cai, they may decide to commence legal proceedings against such borrower to recover the loan principal and outstanding interest.

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 were not apparent at the time when the loans were granted. The Group continues to monitor the recoverability of its loans through regular communication with borrowers regarding their latest financial positions and review of borrowers' credit profiles and will take any necessary follow-up action on borrowers' repayment. In the event of failure to repay interest and/or the principal amount by the due date, the Group will issue overdue payment reminders to the relevant borrowers; and negotiate with the borrowers for the repayment of the loans. Where settlement proposals cannot be agreed upon, the Group may commence legal proceedings against the borrowers to recover the loan principal and outstanding interest.

Determine impairment loss

The management of the Company will make quarterly reports to the Board to inform them of the figures of overdue loans for the relevant quarter. As at the relevant balance sheet date, the Board will assess whether there are any indications of impairment on the loan receivables, and if so, perform an impairment test and determine the amount of impairment loss to be recognised.

In determining the expected credit loss ("ECL") for loan receivables, historical data are assessed together with other external information and are adjusted to reflect current and forward-looking information on macroeconomic factors. To ensure the adequacy of allowance for ECL on loan receivables, the Group engaged an independent firm of professional valuers to conduct a valuation on the allowance for ECL on loan receivables recognised for each financial year, and this impairment allowance was also cross-examined by auditors of the Company.

The Group applies the general approach under Hong Kong Financial Reporting Standard 9 (HKFRS 9), which is often referred to as the "three-stage model", under which ECL of loan receivables are determined based on (a) the changes in credit quality of the loan receivables since initial recognition, and (b) the estimated expectation of economic loss of the loan receivable under consideration. Under the general approach, there are two measurement bases for allowance of ECL: (a) 12-month ECL, which is the ECL as a result of default events that are possible within 12 months after the reporting date and is calculated as the allowance for ECL on a loan receivable weighted by the probability of default events accumulated over the 12 months after the reporting date; (b) lifetime ECL, which is the ECL as a result of all possible default events over the expected life of a loan receivable and is calculated as the allowance for ECL on a loan receivable weighted by the probability of default event accumulated over the entire life of the loan receivable. The allowance for ECL on loan receivables is derived from gross credit exposure, recovery rate and probability of default.

The Group's loan receivables are classified as follows:

(i) Stage 1 (performing) includes loan receivables which have a low risk of default or have not had a significant increase in credit risk since initial recognition and are not credit-impaired. 12-month ECL is recognised for these loan receivables.

(ii) Stage 2 (doubtful) includes loan receivables which have had a significant increase in credit risk since initial recognition but are not credit-impaired. Lifetime ECL is recognised for these loan receivables.

(iii) Stage 3 (default) includes loan receivables that are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For these loan receivables, lifetime ECL is recognised.

(iv) Write-off, where there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

As at 30 June 2023, Stage 1, Stage 2 and Stage 3 ECL of the Group amounted to approximately HK$0.09 million (2022: HK$0.05 million), HK$4.84 million (2022: HK$11.11 million) and HK$10.99 million (2022: HK$14.02 million) respectively. In summary, aggregate ECL impairment of the Group as at 30 June 2023 was approximately HK$15.92 million while aggregate ECL impairment of the Group as at 30 June 2022 was approximately HK$25.18 million, resulting in net reversal of ECL impairment loss (after taking exchange alignment adjustment of approximately HK$1.20 million) of approximately HK$8.06 million during the year ended 30 June 2023.

PROVISION FOR HEATING SUPPLY

The Group provides heating supply services to customers in Tianjin, the PRC. During the Year, the Group recorded a revenue of approximately HK$6.08 million (2022: HK$6.39 million), which accounted for 0.12% of the Group's total revenue, and a gross loss of approximately HK$8.21 million (2022: HK$4.59 million) from the provision of heating supply services. Notwithstanding that the provision of heating supply services recorded a high gross loss margin due to the high price of gas, the Group has received a subsidy of approximately HK$4.40 million as other income from the local government of the PRC. After taking into account the relevant administrative costs, this segment recorded a loss of approximately HK$3.65 million (2022:HK$10.01 million) during the Year.

As affected by the rising international commodity and energy prices and the high volatility in the prices of gas, the operations in Tianjin had recorded continuous losses in recent years. The Group considered that the inherent uncertainties of the industry cast doubt on the profitability of the provision of heating supply services and accordingly decided to temporarily suspend its heating supply services and terminate the services in Tianjin in the coming session. In May 2023, the Group has reached agreement with the relevant parties including the local government to terminate the services without payment. The aforementioned decision did not have any material effect on the Group's operation. Since the operations in Tianjin is the sole project of the Group's provision of heating supply segment, the operations of this segment had been suspended. The Company will continue to monitor and assess market condition to consider if it would be appropriate to resume operation of the segment.

TRADING OF FRESH PRODUCE AND AGRICULTURAL PRODUCTS AND GENERAL TRADING

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 durians from Thailand and Vietnam to the PRC. The Group also purchased fruits from a local supplier and distributed them to the market. Besides, the Group sourced quality live pigs and cattle from renowned suppliers and farms in Guangxi, Jiangxi and Hunan, and sold them to cities in Guangdong Province such as Shenzhen, Huizhou, Dongguan. During the Year, the Group expanded the scope of the trading business to agriculture products such as sugar and eggs. During the Year, the Group recorded a revenue of approximately HK$5,016.38 million, which accounted for 97.18% of the Group's total revenue, 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 a high revenue. The low gross profit margin was because the trading of fresh produce and agricultural business operated in highly competitive markets and there was a high food loss rate as a portion of fruits had decayed due to customs clearance problems. During the Year, the Group recorded a revenue of approximately HK$6.25 million of general trading, which accounted for 0.12 % of the Group's total revenue.

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

As at 30 June 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")), which amounted to approximately HK$34.33 million (2022: HK$30.52 million). During the Year, the Group recorded a gain of fair value change on financial assets at FVTPL of approximately HK$6.31 million (2022: HK$1.32 million).

The details of financial assets at FVTPL are as follows:

Investee	Stock code	Carrying amount as at 01/07/2022 *HK$'000*	Costs of acquisition during the Year *HK$'000*	Proceeds from disposal during the Year *HK$'000*	Fair value gain/(loss) during the Year *HK$'000*	Market Value as at 30/06/2023 *HK$'000*
Best Food Holding Company Limited	1488	15,795	2,524	–	8,628	26,947
Binhai Investment Company Limited	2886	414	2,398	(416)	554	2,950
UTS Marketing Solutions Holdings Limited	6113	1,086	1,204	–	(586)	1,704
China Wantian Holdings Limited	1854	2,038	216	(3,029)	995	220
Shenzhen Aisidi Co. Ltd	002416	3,216	1,852	(4,188)	(246)	634
JLOGO Holdings Limited	8527	2,304	3,185	(2,401)	(2,201)	887
Baidu Inc	BIDU	4,901	–	(4,230)	(671)	–
China Hongbao Holdings Limited (formerly known as "Quantong Holdings Ltd.")	8316	406	478	(973)	89	–
Others		358	2,471	(1,584)	(256)	989
Total		30,518	14,328	(16,821)	6,306	34,331

OUTLOOK

The Board expects the revenue from the provision of coal mining and construction services to remain stable notwithstanding the challenges of increasing production costs and intense market competition. Given the income from the provision of coal mining services and construction services is charged on a project basis and is non-recurrent in nature, the Group may achieve lower-than-expected revenue if it fails to maintain continuity of the Group's order book with new projects. Accordingly, the Group has been actively pursuing new customers so as to enlarge its customer base.

As for the heating supply business, the high volatility in the prices of gas and the uncertainty from future subsidies from the PRC government continue to cast doubt on the profitability of the provision of heating supply services. In view of such the Company decided to terminate the services provided in Tianjin, thereby temporarily suspending the segment of provision of heating supply services.

The Group will resume this service if good investment opportunities in this industry are identified.

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

The Directors considered that the growing purchasing power and rising living standard of the population of the PRC are expected to drive up the demand for imported fruits and quality agricultural products bred in renowned farms in the PRC, and are therefore optimistic about the business prospect of trading of fresh produce and agricultural products. The Directors are of the view that such business is the main driver for the growth of the Group and are also confident that this will help diversify the Group's business and generate more income and increase the profit margin of the Group in the long run.

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 so as to broaden its revenue source and expand its business portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group held cash and cash equivalents of approximately HK$105.08 million (2022: HK$156.49 million). Net current assets amounted to approximately HK$332.45 million (2022: HK$338.59 million). As at 30 June 2023, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.62 (2022: 4.33 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.27 (2022: 0.22). The Group did not have bank borrowing as at 30 June 2023 (2022: Nil).

USE OF PROCEEDS FROM 2016 PLACING

As disclosed in the announcements of the Company dated 8 April and 21 April 2016, the Company completed the placing of an aggregate of 1,046,260,000 new shares in the Company on 21 April 2016 ("2016 Placing"), from which 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) for working capital purpose ("Original Purposes").

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

	Actual net proceeds *HK$*	**The cumulative usage of the 2016 Placing proceeds up to 30 Jun 2022** *HK$*	**For the period from 1 Jul 2022 to 15 Nov 2022** *HK$*	**Unutilised Proceeds as at 15 Nov 2022** *HK$*
Provision of heat supply services by clean energy including:				
(i) investment in the joint ventures for the provision of heat supply services		35 million	Nil	
(ii) capital expenditure such as purchasing heat supply equipment and carrying out construction works and		34 million	Nil	
(iii) operation costs of the joint ventures		11 million	Nil	
Sub-total	160 million	80 million	Nil	80 million
General working capital	41 million	41 million	Nil	Nil
Total	201 million	121 million	Nil	80 million

The remaining balance of unutilised proceeds ("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 used for general 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 30 June 2023 is as follows:

	Proposed Usage of the Remaining Proceeds	**Usage of Remaining Proceeds up to 30 June 2023**	**Unutilised Remaining Proceeds as at 30 June 2023**
	HK$	*HK$*	*HK$*
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	22.0 million	Nil
(ii) Operation of fruit trading business *(Note 1)*	20.0 million	20.0 million	Nil
Sub-total	42.0 million	42.0 million	Nil
General working capital	38.0 million	38.0 million *(Note 2)*	Nil
Total	80.0 million	80.0 million	Nil

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 proceeds are mainly used for purchasing fruits from Thailand and Vietnam.

Note 2: Of the proceeds used for general working capital, HK$30 million has been used to settle a debt due to a former note holder.

SHARE CAPITAL

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

Pursuant to the resolutions of the shareholders passed at the extraordinary general meeting of the Company on 26 April 2023, every twenty issued and unissued ordinary shares with a par value of HK$0.01 each in the share capital of the Company were consolidated into one ordinary share with a par value of HK$0.20 each ("Share Consolidation"), such that the authorised share capital of the Company became HK$1,500,000,000 divided into 7,500,000,000 shares with a par value of HK$0.20 each effective 28 April 2023. As at 30 June 2023, the issued share capital of the Company was approximately HK$74,925,624 divided into 374,628,116 shares of HK$0.20 each.

Details of the Share Consolidation are set out in the Company's announcements dated 8 March 2023 and 26 April 2023 and the Company's circular dated 24 March 2023.

FOREIGN 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 utilise 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 Year.

LITIGATIONS

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

CAPITAL COMMITMENT

As at 30 June 2023, the Group had no significant capital commitment (2022: nil).

PLEDGE OF ASSETS

As at 30 June 2023, a bank deposit of RMB5,000,000 (2022: nil) was pledged to a bank to secure general banking facilities granted to the Group. The pledged bank deposit will be released upon settlement of relevant bills payables. Another bank deposit of RMB500,000 (30 June 2022: nil) was restricted by a bank in respect of the issue of customs guarantee to the PRC customs department. The restricted bank deposit will be released upon the completion of the respective transactions.

EMPLOYEE INFORMATION

As at 30 June 2023, there were 546 (2022: 321) staff members employed by the Group. The Group remunerates its employees mainly based on industry practices and the employees' 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 individuals' performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

RETIREMENT BENEFIT PLANS

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

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

During the Year, there was no forfeited contribution under the abovementioned MPF Scheme available for the Group to reduce the existing level of contributions.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities.

DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

OTHER INFORMATION

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

As at 30 June 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 30 June 2023, so far as is known to the Directors and the Chief Executives, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as follows:

Long position in ordinary shares of HK$0.20 each of the Company

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
XU, Gongming	Beneficial owner	600,000	0.16%
XU, Gongming *(Note 1)*	Held by controlled entity	102,719,000	27.42%
Redwood Bay Investment Group International Company Limited *(Note 1)*	Beneficial owner	102,719,000	27.42%
YAN, Weiwei	Beneficial owner	12,505,000	3.34%
YAN, Weiwei *(Note 2)*	Held by controlled entity	44,241,000	11.81%
Star Link Technology Limited *(Note 2)*	Beneficial owner	44,241,000	11.81%

Note 1: XU, Gongming is deemed to be interested in 102,719,000 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: YAN, Weiwei is deemed to be interested in 44,241,000 shares held by Star Link Technology Limited, the company incorporated in the British Virgin Islands, which is wholly and beneficially owned by YAN, Weiwei.

Save as disclosed above, as at 30 June 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.

Directors' and controlling shareholders' interests in contracts

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

Share options scheme

The Company has adopted a share options scheme as approved by the shareholders of the Company (the "Share Options Scheme") at the annual general meeting of the Company held on 12 December 2014 (the "2014 AGM"), pursuant to which the Company may grant options to subscribe for up to a total of 26,662,511 shares of the Company, after the share consolidation effective 28 April 2023, at the date of this announcement, representing approximately 7.12% of the issued shares of the Company. 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.

Details of the Share Options Scheme are set out in note 34 to the consolidated financial statements of the annual report.

No options have been granted under the Share Options Scheme since its adoption.

Competing Interests

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

Purchase, Sale or Redemption of Company's Listed Securities

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

The Company endeavors in maintaining high standards of corporate governance for the enhancement of shareholders' value. Save as disclosed in the Chairman and Chief Executive Officer section of the corporate governance report, the Company has applied the principles of and complied with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 30 June 2023.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises four independent non-executive Directors, namely Ms. Wong Na Na (committee chairman), Mr. Chen Xier, Mr. Huang Tianhua and Ms. Lei Ming. The primary duties of the Audit Committee are to (i) review the Company's annual report and accounts, interim reports and quarterly reports, (ii) provide advice and comments thereon to the Board and (iii) review and supervise the Group's financial reporting, internal control procedures and risk management systems. The Audit Committee held five meetings during the Year. Two of the meetings was attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors.

The Audit Committee reviewed the Group's quarterly reports for the three months and nine months ended 30 September 2022 and 31 March 2023 respectively, interim report for the six months ended 31 December 2022 and the Group's audited annual results for the year ended 30 June 2023. The Audit Committee also made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures.

Review of the Results Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

Hong Kong, 20 September 2023

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

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

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