**Silk Road Logistics Holdings Limited**
**絲路物流控股有限公司**
*(Incorporated in Bermuda with limited liability)*
**(Stock code: 988)**

# ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "Board") of directors (the "Directors", each a "Director") announces the audited consolidated results of Silk Road Logistics Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 together with the comparative audited figures for the year ended 31 December 2021 as follows:

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

*For the year ended 31 December 2022*

| | Notes | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|---|
| REVENUE | 4 | **7,449** | 13,647 |
| Cost of sales and services | | **(2,078)** | (8,069) |
| Gross profit | | **5,371** | 5,578 |
| Other income and gains | 4 | **268** | 263 |
| Administrative expenses | | **(37,312)** | (34,454) |
| Impairment of goodwill | | **–** | (55,960) |
| Impairment of interests in associates | | **–** | (172,846) |
| Impairment of prepayments, deposits and other receivables | | **(16,457)** | (11,082) |
| Share of profit of associates | | **–** | 15,891 |
| Finance costs | 5 | **(51,456)** | (51,199) |
| LOSS BEFORE TAX | 6 | **(99,586)** | (303,809) |
| Income tax credit | 7 | **–** | 1,130 |
| LOSS FOR THE YEAR | | **(99,586)** | (302,679) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(CONTINUED)***

*For the year ended 31 December 2022*

| | Notes | **2022** | 2021 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | **(19,567)** | 7,133 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **(119,153)** | (295,546) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(94,519)** | (295,153) |
| Non-controlling interests | | **(5,067)** | (7,526) |
| Loss for the year | | **(99,586)** | (302,679) |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **(107,999)** | (290,680) |
| Non-controlling interests | | **(11,154)** | (4,866) |
| Total comprehensive income for the year | | **(119,153)** | (295,546) |

| | Notes | **2022** | 2021 |
|---|---|---|---|
| | | ***HK$*** | *HK$* |
| LOSS PER SHARE | *8* | | |
| – Basic | | **(0.15)** | (0.48) |
| – Diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **148,163** | 171,076 |
| Right-of-use assets | | **65,124** | 73,294 |
| Interests in associates | | **–** | – |
| Other investment | | **–** | – |
| Oil properties | | **65,842** | 65,679 |
| Total non-current assets | | **279,129** | 310,049 |
| CURRENT ASSETS | | | |
| Inventories | | **745** | 689 |
| Trade receivables | *9* | **170** | – |
| Prepayments, deposits and other receivables | | **28,123** | 151,207 |
| Income tax recoverable | | **3,976** | 4,548 |
| Cash and cash equivalents | | **49,877** | 974 |
| | | **82,891** | 157,418 |
| Assets classified as held for sale | *10* | **–** | 57,954 |
| Total current assets | | **82,891** | 215,372 |
| CURRENT LIABILITIES | | | |
| Trade payables | *11* | **24,849** | 87,691 |
| Other payables and accruals | | **103,179** | 132,763 |
| Other borrowings | | **529,627** | 488,356 |
| Promissory notes payable | | **77,501** | 69,197 |
| Obligations under finance lease | | **–** | 33 |
| Total current liabilities | | **735,156** | 778,040 |
| NET CURRENT LIABILITIES | | **(652,265)** | (562,668) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **(373,136)** | (252,619) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)***
*As at 31 December 2022*

| | *Notes* | **2022** **HK$'000** | 2021 *HK$'000* |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Other borrowings | | **–** | 138 |
| Lease liabilities | | **12,273** | 13,419 |
| Assets retirement obligations | | **5,757** | 5,485 |
| Deferred tax liabilities | | **14,484** | 14,836 |
| Total non-current liabilities | | **32,514** | 33,878 |
| Net liabilities | | **(405,650)** | (286,497) |
| EQUITY | | | |
| Share capital | *12* | **64,179** | 64,179 |
| Reserves | | **(537,948)** | (429,949) |
| Equity attributable to owners of the Company | | **(473,769)** | (365,770) |
| Non-controlling interests | | **68,119** | 79,273 |
| Total equity | | **(405,650)** | (286,497) |

*Notes:*

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Trading of the Company's shares on the Stock Exchange has been suspended since 24 May 2022 and has not resumed up to the date of approval of these consolidated financial statements.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is situated at Room 1702, 17/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are trading of commodities, exploration and production of oil and provision of oil well services, and provision of logistics and warehousing services.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Notwithstanding that the current liabilities of the Group at 31 December 2022 exceed the Group's current assets at that date by HK$652,265,000, which includes the other borrowings and the promissory notes payable amounted to HK$529,627,000 and HK$77,501,000 respectively; the total liabilities of the Group at 31 December 2022 exceed the Group's total assets at that date by approximately HK$405,650,000; and that the Group incurred net loss amounted to HK$99,586,000 for the year ended 31 December 2022, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

Management of the Group will closely monitor the financial position of the Group and the directors of the Company will make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the lender of the other borrowings and the holder of the promissory note payable for the extension of repayments of the other borrowings and the promissory note to a date when the Group has adequate working capital to serve the repayments.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated Financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements | Annual Improvements to HKFRSs 2018-2020 Cycle |

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

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[1] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[2] |
| Amendments to HKAS 12 | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[2] |
| Amendments to HKFRS 16 | Lease Liabilities in Sale and Leaseback[1] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[1] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale on Contribution to Assets between an Investor and its Associate or Joint Venture[3] |

1 Effective for accounting periods beginning on or after 1 January 2024
2 Effective for accounting periods beginning on or after 1 January 2023
3 Effective for accounting periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

***Amendments to HKAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

## 4. REVENUE, OTHER INCOME AND GAINS

### Revenue

Revenue represents the aggregate of net invoiced value of goods sold (including oil), after allowances for returns and trade discounts, and income from logistic services rendered. Sales of oil is also arrived at after net of royalties, obligations to governments and other mineral interest owners. An analysis of the revenue is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue from: | | |
| Sales of goods recognised at a point in time | **1,897** | 9,169 |
| Rendering of services recognised over time | **5,552** | 4,478 |
| | **7,449** | 13,647 |

### Other income and gains

An analysis of other income and gains is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **12** | – |
| Gain on disposal of property, plant and equipment, net | **70** | 96 |
| Government grants receipt* | **96** | – |
| Sundry income | **90** | 167 |
| | **268** | 263 |

* Government grants receipt represents refund of PRC value-added tax and other taxes previously paid by the Group. There are no unfulfilled conditions or contingencies attached to these grants.

## 5. FINANCE COSTS

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expenses, net of reimbursement on borrowings, on: | | |
| Other loans | **42,274** | 41,999 |
| Lease liabilities | **878** | 932 |
| Promissory notes payable | **8,304** | 8,268 |
| | **51,456** | 51,199 |

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold* | **1,397** | 6,476 |
| Auditors' remuneration | | |
| Audit services | **720** | 850 |
| Non-audit services | **100** | 230 |
| | **820** | 1,080 |
| Directors' and chief executive's remuneration | **1,772** | 1,212 |
| Staff costs (excluding directors' and chief executive's remuneration) | | |
| Salaries and allowances | **6,359** | 5,469 |
| Retirement benefit costs | **297** | 330 |
| Total staff costs | **8,428** | 7,011 |
| Depreciation of property, plant and equipment | **10,214** | 11,352 |
| Depreciation of right-of-use assets | **2,491** | 2,887 |
| Accretion expenses – oil properties | **262** | 248 |
| Amortisation of oil properties | **103** | 200 |
| Loss on disposal of oil properties and property, plant and equipment, net | **–** | – |
| Lease payments under short term leases | **982** | 946 |
| Foreign exchange losses, net | **283** | – |

* Cost of inventories sold includes depreciation charges of property, plant and equipment amounted to approximately HK$1,397,000 (2021: HK$1,593,000) which is also included in the respective total amount disclosed separately above.

## 7. INCOME TAX CREDIT

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Provision for the year | | |
| – The People's Republic of China ("PRC") corporate income tax | **–** | – |
| Over provision in prior years | **–** | (831) |
| Current tax credit | **–** | (831) |
| Deferred tax credit | **–** | (299) |
| Income tax credit | **–** | (1,130) |

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Under the Corporate Income Tax Law of the PRC, the PRC corporate income tax is calculated at the rate of 25% (2021: 25%) on the Group's estimated assessable profits arising in the PRC.

US income tax on the assessable profits arising in the United States of America ("USA") is calculated at the rate of 21% (2021: 21%).

No Hong Kong profits tax, PRC corporate income tax and US income tax have been provided as the Group did not generate any assessable profits arising in Hong Kong, the PRC and the USA for both years presented.

## 8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purpose of basic loss per share | | |
| Loss for the year attributable to owners of the Company | **(94,519)** | (295,153) |

| | **2022** | 2021 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **641,790** | 613,023 |

Diluted loss per share for the years ended 31 December 2022 and 31 December 2021 is not presented as there is no potential ordinary shares in issue for each of these years.

## 9. TRADE RECEIVABLES

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross trade receivables | **170** | 99,569 |
| Less: Impairment of trade receivables | **–** | (99,569) |
| Trade receivables, after impairment loss recognised | **170** | – |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted by the Group to its trade customers generally ranged from one to three months. Overdue balances are reviewed regularly by senior management.

An aged analysis of the gross trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not more than 30 days | **109** | – |
| 31-60 days | **61** | – |
| 61-90 days | **–** | – |
| 91-365 days | **–** | – |
| Over one year | **–** | 99,569 |
| | **170** | 99,569 |

The trade receivables that are not considered to be impaired is analysed as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not past due | **–** | – |
| | **–** | – |

The movements in the provision for impairment of trade receivables are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **99,569** | 100,509 |
| Exchange realignment | **(1,358)** | (940) |
| Less: Eliminated on written off of receivables* | **(98,211)** | – |
| At 31 December | **–** | 99,569 |

* The written off of receivables was made as the related receivables are overdue over two years with no reasonable expectation of recovery.

## 10. ASSETS CLASSIFIED AS HELD FOR SALE

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Assets classified as held for sale | | |
| Interest in an associate – RockEast Energy Corp. ("RockEast") | **–** | 57,954 |

In December 2021, the Group received a Drag-along Notice from RockEast notifying that RockEast majority shareholders have received and have accepted an offer (the "Offer") from an independent third party to acquire all of the issued shares of RockEast at the offer price of CAD1.00 per share. The Group was mandatorily required to accept the Offer for sale of the equity interest in RockEast held by the Group. Accordingly, the Group's interest in RockEast with its sale price of approximately HK$57,954,000 (after making impairment loss of HK$172,846,000 recognised on profit or loss for the year) was reclassified and included in assets classified as held for sale. The sale was completed in March 2022.

## 11. TRADE PAYABLES

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **24,849** | 87,691 |

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not more than 30 days | **6** | 97 |
| 31-60 days | **3** | 58 |
| 61-90 days | **–** | 35 |
| 91-365 days | **1,124** | 45 |
| Over one year | **23,716** | 87,456 |
| | **24,849** | 87,691 |

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 12. SHARE CAPITAL

| | Par value per share<br>*HK$* | Number of ordinary shares<br>*'000* | Nominal amount<br>*HK$'000* |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 January 2021 | 0.01 | 200,000,000 | 2,000,000 |
| Share consolidation implemented during the year ended 31 December 2021 *(Note a)* | | (180,000,000) | – |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | 0.10 | 20,000,000 | 2,000,000 |
| **Issued and fully paid:** | | | |
| At 1 January 2021 | 0.01 | 5,989,330 | 59,893 |
| Share consolidation implemented during the year ended 31 December 2021 *(Note a)* | | (5,390,397) | – |
| Issue of shares during the year ended 31 December 2021 *(Note b)* | 0.10 | 42,857 | 4,286 |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | 0.10 | 641,790 | 64,179 |

*Notes:*

(a) During the year ended 31 December 2021, the Company implemented the share consolidation of its ordinary shares which is effective from 7 June 2021, under which every ten issued and unissued shares with a par value of HK$0.01 each then existed were consolidated into one consolidated share with a par value of HK$0.10 per share.

(b) On 3 September 2021, the Company issued 42,857,142 new shares to a shareholder at the issue price of HK$0.14 per share, for consideration of HK$6,000,000 (before expenses). This consideration to the extent of HK$3,000,000 was settled in cash by the shareholder, with the remaining consideration amounted to HK$3,000,000 which was settled by way of set off against part of the amount due by the Group to the shareholder of HK$3,000,000.

## 13. CONTINGENT LIABILITIES

The Group had the following civil complaints during the reporting period:

(a) Pursuant to the civil complaint dated 29 November 2019 (the "Haitong Civil Complaint") filed by Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the "Plaintiff") as plaintiff with the Shanghai Financial Court, the Plaintiff claimed against Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics"), an indirect non wholly-owned subsidiary of the Company for (i) repayment of an aggregate amount of RMB197,754,190.70; and (ii) all the costs in relation to the Haitong Civil Complaint. The Haitong Civil Complaint had been accepted by the Shanghai Financial Court. The Haitong Civil Complaint was arisen from the dispute under a domestic factoring agreement dated 26 September 2018 (the "Factoring Agreement") entered into among the Plaintiff, 天津物產進出口貿易有限公司 (Tewoo Import and Export Trade Company Limited*) ("Tewoo") and Qian'an Logistics. Pursuant to the Factoring Agreement, the Plaintiff agreed to provide financing to Tewoo which, in return, agreed to assign all its rights under the account receivables in the aggregate amount of RMB223,463,688.00 (the "Account Receivables") payable by Qian'an Logistics to the Plaintiff in connection with five copper cathode contracts supplied by Tewoo to Qian'an. According to the Factoring Agreement, the Plaintiff appointed Tewoo to be its collection and receiving agent for the receipt of the Account Receivables payable by Qian'an Logistics. The management of Qian'an Logistics represented that Qian'an Logistics has fully settled the Account Receivables with Tewoo in connection with the five copper cathode contracts. Qian'an Logistics has received the judgement dated 28 July 2021 from Shanghai Financial Court, pursuant to which the claim filed by the Plaintiff was dismissed and the legal costs of the court hearing should be borne by the Plaintiff. Subsequent to the issue of the judgement, the Plaintiff filed an appeal with the Shanghai High People's Court ( the "Court") in relation to, among others, objection to the Shanghai Financial Court's judgement on the Haitong Civil Complaint and application for an order that the legal costs of the court hearing be borne by Qian'an Logistics. Qian'an Logistics has instructed its PRC legal adviser to handle all legal issues in connection with the appeal of the Haitong Civil Complaint. In September 2022, the Court issued a judgement pursuant to which the Court dismissed the appeal filed by the Plaintiff and upheld the judgement of the Shanghai Financial Court. The judgement of the Court should be the final judgement in respect of the Haitong Civil Complaint. No provision for the Haitong Civil Complaint has been made in the consolidated financial statements. In this case, Qian'an Logistics should not bear the Accounts Receivables and the related legal costs.

(b) Pursuant to the civil complaint dated 22 November 2019 (the "Haotai Civil Complaint") filed by 天津浩泰恒遠國際貿易有限公司 (Tianjin Haotai Hengyuan International Trading Company Limited*) ("Haotai") as plaintiff with Tianjin No. 1 Intermediate People's Court, Haotai claimed against Qian'an Logistics for (i) repaying the aggregate amount of RMB68,370,454, being the purchase price for goods supplied by the Haotai to Qian'an Logistics; and (ii) all the costs in relation to the Haotai Civil Complaint. On 4 January 2021, the Group received a judgment from Tianjin No. 1 Intermediate People's Court, pursuant to which the court approved the withdrawal application filed by Haotai in relation to its civil complaint against Qian'an Logistics, (i.e. the Haotai Civil Complaint) and the legal costs of the court should be borne by Haotai. The amount of RMB68,370,454 ("the Payable") claimed by Haotai has been included in trade payables as at 31 December 2021. On 8 July 2022, Qian'an Logistics, Haotai and 天津匯天嘉成供應鏈管理有限公司 (Tinjian Huitian Jiacheng Gongyinglian Management Co. Ltd*. ("Huitian Jiacheng"), which owed Qian'an Logistics by RMB77,562,329, entered into a settlement agreement (the "Settlement Agreement") pursuant to which: (i) Haotai has assigned part of the Payable in the sum of RMB53,580,973 to Huitian Jiacheng (the "Assigned Loan") with the balance of the Payable in the sum of RMB14,789,481 (the "Residue Loan") be repaid by Huitian Jiacheng to Haotai; (ii) the Assigned Loan and the Residue Loan would be offset with the claim amount due by Huitian Jiacheng to Qian'an Logistics; (iii) Huitian Jiacheng will repay the balance of the claim amount (after offset the Assigned Loan and the Residue Loan) (the "Balance") to Qian'an Logistics. After Qian'an Logistics withdraw the claim against Huitian Jiacheng from the Tianjin No.1 Intermediate People's Court, Huitian Jiacheng will fully settle the Balance. As at the reporting date, Qian'an Logistics received approximately RMB9,200,000, thus the Balance has been fully settled.

(c) Dongguan Haihui Logistics Co., Ltd*. (東莞市海輝物流有限公司) ("Dongguan Haihui"), an indirect wholly-owned subsidiary of the Company, has received a civil ruling (the "Judgment") from the Intermediate People's Court of Dongguan City, Guangdong Province (廣東省東莞市中級人民法院) (the "Guangdong Province Court") in June 2022, pursuant to which, the Guangdong Province Court has accepted the application made by Shenzhen Henshunying Trading Co., Ltd*. (深圳市恒順盈貿易有限公司) ("Shenzhen Henshunying") for the winding up of Dongguan Haihui on the basis of Dongguan Haihui failure to settle the judgment debt (with accrued interests), awarded in a previous civil judgment of the People's Court of Jiahe County, Hunan Province (湖南省嘉禾縣人民法院), to Shenzhen Henshunying in the sum of RMB4,017,686. On 22 November 2022, Judgement made and Dongguan Haihui should repay the judgement debt to the total sum of RMB3,200,000 of which RMB2,700,000 should be paid by 31 December 2022 and the remaining amount of RMB500,000 by 3 instalments from 2023 to 2025. As at the reporting date, the RMB2,700,000 has been paid and the unsettled balance has been included in the trade payables as at 31 December 2022.

## 14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Boshu (Shanghai) Trading Company Limited (博屬(上海)貿易有限公司) has commenced the arbitration proceedings to seek remedies against the Tianjin Huiliyuan International Trading Co., Ltd (天津匯力源國際貿易有限公司) for breach of the Agreement in front of Beijing Arbitration Commission. The arbitration hearing is scheduled on 28 April 2023. Please refer to the announcement of the Company dated 19 April 2022, 11 October 2022 and 27 March 2023 for details.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

CCTH CPA Limited, the independent auditor of the Company, expressed a disclaimer opinion on the Group's consolidated financial statements for the year ended 31 December 2022. The sections headed "Basis for Disclaimer of Opinion" set out below are extracted from the independent auditor's report.

## DISCLAIMER OF AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### Going concern

As disclosed in note 2 to the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group's current assets at that date by approximately HK$652,265,000, the total liabilities of the Group at 31 December 2022 exceed the Group's total assets at that date by approximately HK$405,650,000, and the Group incurred net loss of approximately HK$99,586,000 for the year ended 31 December 2022.

The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group, as detailed in note 2 of the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS

For the year ended 31 December 2022, the Group recorded revenue from operations of approximately HK$7,449,000 (2021: approximately HK$13,647,000), representing a decrease of 45.4% from prior year. The Group's gross profit of the operations drop to approximately HK$5,371,000 for the year ended 31 December 2022 from approximately HK$5,578,000 recorded in 2021, with the gross profit margin at 72.1% (2021: 40.9%) in this year. The sufficient increase in gross profit margin because the logistic and warehousing businesses become a dominant portion of revenue in this year. The Company recorded a loss attributable to the owners of the Company from the operations for the year ended 31 December 2022 to approximately HK$94,519,000 from that of about HK$295,153,000 recorded in the preceding year.

The finance costs for the year ended 2022 and 2021 were mainly contributed by an unsecured other borrowings and the promissory note. A major portion of the unsecured other borrowings, which previously known as the convertible bonds with the principal amount of HK$300,000,000, reclassified upon the expiration of the maturity period of the bonds, incurred interest rate of 11% per annum, and the aggregate outstanding balance of the bonds together with interest thereon amounted to HK$489,098,000 (2021: HK$447,826,000). The promissory note was issued by the Company in December 2014 to an independent third party, as part of the consideration for the acquisition of 100% equity interest in a subsidiary, Earning Power Inc.. Its aggregated outstanding balance together with the interest (interest rate at 12% per annum) was amounted to HK$77,501,000 (2021: HK$69,197,000).

In this year, the Group was resulted in the position of the net liabilities amounted to HK$405,650,000. It was reduced by HK$119,153,000 from the previous year of a net asset amounted to HK$286,497,000. The reduction was mainly due to the finance costs, operating costs and an impairment of prepayments, deposits and other receivables in this year.

**BUSINESS REVIEW**

In year 2022, COVID was relegated from a pandemic to a public health concern in many countries and has become less of a disruption in people's lives. So far, no new variant after Omicron has emerged with the capacity to fuel a major wave of serious illness. Besides effective vaccine and treatment, growing population immunity has made it possible to resume group activities such as office and school going, large events and travel, giving breath to the economy. With COVID subsiding and the Russia-Ukraine war phasing into a localized conflict, the focus of the markets has turned to the timeliness and scale of policy responses to the ongoing economic shocks. For the full year 2022, the U.S. economy cooled down to a 2% annual growth under Fed's rate action, whereas China also posted a soft GDP growth of 3% due to sporadic disruptions caused by Omicron spread. All major economies are entering a plausible endgame to the disease and are unwinding the special measures taken in the past two years.

The report period was an extraordinary year for commodity markets, during which the interplay of supply risks and growth concerns led to increased market volatility. The Group's performance and business development has been undoubtedly affected by this uncertain operational environment. Nonetheless, after the trading in the shares of the Company was suspended in May 2022 on the grounds of a deemed insufficient level of operations, the Group has been making constant progress toward the fulfilment of the Resumption Guidance. The Group has been accessing and pursuing various business options by applying prudence in communication with professional advisers and potential business partners. We are determined to carry out our business plan by breaking through the surmountable financial and legal barriers.

The Group has been applying tireless and assiduous effort to resume the operations of all our business segments as far as possible throughout the pandemic. In particular, our trading and logistics segment has undertaken to expand the business portfolio and in the process has refocused all the operating units. During the report year, our leading subsidiary Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics") centered on warehousing activities as a practical response to occasional lockdowns. The Group expects that the segments can quicken the speed of business resumption by implementing a product and geographical realignment for the trading operations considerably after China has lifted most of the COVID restrictions.

Oil prices were more volatile throughout 2022 than they were in the previous years, both before and during the pandemic roiled oil markets. The outbreak of the Russia-Ukraine war spurred oil prices to a 10-year high above $120; this level was reached again in June when the effect of the Western sanction on Russian oil surfaced. However, after that came a steady slide induced by a number of factors, including the release of oil from the US Strategic Petroleum Reserve, the possibility of an economic slowdown, and renewed COVID lockdowns in Asia. At the end of the year, oil prices returned to the pre-war level. In an attempt to stabilize the price, OPEC+ has decided to cut production by 2 million barrels per day, or 2% of global supplies, up to the end of 2023. After the disposal of RockEast Energy Corporation ("RockEast"), the oil segment has reduced in scale and turned in a revenue of approximately HK$ 1,897,000 in 2022.

The debtor's turnover day of the Group in 2022 was 4 days compared with 2 days in 2021. It is in line with the credit period of the Group assign to the customers. In future, the Group will maintain its strict credit policy to customers with more emphasis on repayment quality. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. For the adoption of HKFRS 9, the Group has measured the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. The management will continue to closely monitor the credit qualities and the collectability of the trade receivables.

**OUTLOOK**

The current high inflation has been fueled by a combination of demand-pull, cost-push and supply-side bottlenecks. The demand pull was driven by the strong demand for work-from-home merchandise, whereas the cost-push and bottlenecks were caused by COVID restrictions as well as the more recent Russia-Ukraine war. The Federal Reserve initially considered the spike in US inflation to be "transitory" back in 2020-21. Not until the commodity price surge in 2022 did the Fed decide to prescribe strong medicine-frontloaded monetary tightening – in order to reduce the risk of inflation de-anchoring from the target 2% level. It is generally expected that the Fed fund rates could reach 5% in this rate hike cycle, a marked departure from the near-zero interest rate environment since late 2008.

As things stand now, the risk of a sustained wage-price spiral appears limited since most of the inflation drivers have started to unwind and monetary policy has been tightening aggressively. So the remaining question would be whether the Fed can achieve a soft landing, that is, contain inflation without tipping the U.S. into recession. In recent months, the likelihood has narrowed as the more interest sensitive sectors – housing and manufacturing – have already shown signs of contraction. Consumer spending has remained the bright spot, but it may be constrained by the drop of Americans' savings rate to a 17-year low. In sum, there is a probability of a mild recession as the Fed is compelled to raise rates aggressively when the primary inflation driver is a supply-side commodity shock and growth has topped out. In the near term, the global outlook of sub-par growth will carry over into year 2023 until the tightening cycle comes to an end in the United States and other countries.

With low risk of runaway inflation, China has set out vigorous plans to expand domestic consumption and investment as the economy emerges out of COVID and external demand growth is waning. Chinese policymakers are determined to bring the growth rate back to the long-term potential level with strong supportive policies in both fiscal and monetary realms. In this favourable macro environment and renewed growth path, the Group will continue our business resumption and development, taking advantage of the many policy stimuli.

The Group has been making earnest attempts to revitalize our trading and logistics segment in terms of revenue and profitability. At the same time, we are in active pursuit of new business initiatives based on two main considerations, namely the financial reliability of the proposed business partners and increased asset utilization. In order to achieve our budget objective, the Group aims to control the counterparty risk by selecting business partners judiciously. In this regard, our reputation as a trusted service provider will work to our benefit and will help us match with trustworthy partners. Furthermore, the Group intends to unlock the value of our existing logistics and warehousing facilities as an instantaneous revenue generator. This approach will guide both our headquarters and regional colleagues on the path of business resumption.

The Group is on track to identify and source business opportunities. One such potential project involves the supply of construction raw materials. We have taken an initial step to test out this opportunity by setting up subsidiaries in Tianjin. Besides construction raw materials, the trading segment is also examining opportunities in other commodity types such as coal and iron ore. If potential projects in these areas come to fruition, they will open an exciting new path for our corporate development and growth; they will also further strengthen the demonstration by the Group of its compliance with the Listing Rules requirement of a sufficient level of operations.

The direction of project development fits well into our longer-term corporate strategy which centers around asset-light growth. We aim to achieve scalability of our business projects by utilizing our flexible and efficient trading platform already in place. The Group is poised to reap handsome gains from trading operations as soon as the plan materialises. Our success is ensured by the network and skills possessed by our experienced personnel based in Hong Kong and Mainland China, as well as the financial resolve to see through potential projects to completion.

Our organizational culture is what binds us together and draws out the best from us. Besides the emphasis on knowledge, skills and perseverance, the Group fully acknowledges the importance of maintaining a high standard in corporate governance and ethical issues. These values are incorporated into our corporate culture and are cherished as an integral aspect to accomplishing our vision and success.

Our staff at all levels are required to act lawfully, ethically and responsibly in our business dealings and operations. As a matter of course, the Directors and the senior management take a stewardship role in this regard. Not only do they work to lead by example; they also engage colleagues continually in discussions of the associated principles whenever relevant situations arise. Moreover, guidelines on ethics and integrity are given to colleagues for clear reference and adherence, whereas the corrective procedures are delineated in the Group's anti-corruption policy and whistle-blowing policy.

As the world is entering a new normal after COVID and quantitative easing, the Group has evolved into a more flexible and agile organization ready to thrive in the changeable environment. We would like to express our deep gratitude to our colleagues for working as one to make this possible. As the proverb has it, if you want to go far, go together. Supported by the vibrant corporate culture, our people are the most valuable asset in pursuing our vision of connecting the world for inclusive prosperity.

## AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the disclaimer of opinion of the auditors (the "Audit Qualifications") and also the management's position and basis on the areas that arising the Audit Qualification. The Audit Committee is in agreement with the management with respect to the Audit Qualifications and the Group's ability to continue as a going concern for the actions or measures to be implemented by the Group.

## CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2022, the Group had total other borrowings in the amount of approximately HK$529,627,000 (31 December 2021: HK$488,494,000), representing an increase of HK$41,133,000. The Group's other borrowings amounted to HK$529,627,000 are repayable within one year, while no balance is repayable for more than one year.

The Group's total other borrowings are all denominated in HK$ of which approximately HK$40,529,000 is charged at floating interest rates, and HK$489,098,000 is charged at fixed rate. The Group's cash and bank balances of approximately HK$49,877,000 were 26.8% denominated in RMB, 0.5% in USD and 72.7% in HK$.

As at 31 December 2021 and continued in 2022, a major portion of the other borrowings (previously regarded as the convertible bonds) with the aggregate principal amount of HK$300,000,000 was matured and become an other borrowing as it is not redeemed at maturity date. Combining the unsettled interests, the total amount of other borrowings was HK$489,098,000 (2021: HK$447,826,000). It is denominated in HK$ and bear interest at fixed interest rate of 11% per annum.

## TREASURY POLICY

The Group adopts a conservative approach towards its treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

(a) In December 2021, the Group was notified that RockEast Energy Corp's ("RockEast") majority shareholders have received and have accepted an offer (the "Offer") from an independent third party to acquire all of the issued shares of RockEast at the offer price of CAD1.00 per share (the "RockEast Acquisition"). Pursuant to the Drag-along Right under the related shareholders' agreement for RockEast, the Group was mandatorily required to accept the Offer for the sale of the 29.95% equity interest in RockEast held by the Group at the total consideration of CAD9,407,000 (equivalent to approximately HK$57,954,000). The RockEast Acquisition was completed in March 2022.

(b) On 19 April 2022, Boshu (Shanghai) Trading Company Limited* (博屬(上海)貿易有限公司) ("Boshu (Shanghai)"), an indirectly wholly-owned subsidiary of the Company) as transferee entered into an agreement ("the Agreement") with Tianjin Huiliyuan International Trading Co., Ltd.* (天津匯力源國際貿易有限公司) (the "Transferor") as transferor, pursuant to which Boshu (Shanghai) agreed to acquire (the "Acquisition") from the Transferor 23.396% of the equity interest in Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company* (內蒙古亞歐大陸橋物流有限責任公司) ("Inner Mongolia", a company established in the PRC, 39% and 20% of the equity interest of which was owned by Boshu (Shanghai) and the Transferor respectively prior to the Loan Capitalisation (as defined below), and following completion of the Loan Capitalisation, the interest of Boshu (Shanghai) dropped to 4.604%), as enlarged by capitalisation of the debt owed to the Transferor and another creditor by Inner Mongolia for the capital contribution of RMB95,647,400 to Inner Mongolia (the "Loan Capitalisation"), at a consideration of RMB1,000,000, subject to the completion the Loan Capitalisation. The consideration should be settled by share dividends distributed by Inner Mongolia to which Boshu (Shanghai) is entitled. The Transferor undertook that for a period of 5 years from the completion date of the Loan Capitalisation, the dividend receivable by Boshu (Shanghai) in respect of its shareholding in Inner Mongolia would be not less than HK$4,000,000 annually ("Profit Guarantee"). Despite Boshu (Shanghai) has fulfilled all conditions set out in the Agreement, the Transferor failed to transfer the sale equity interest to Boshu (Shanghai) due to the fact that the Transferor had already transferred all its equity interest in Inner Mongolia to third party(ies). Hence the Transferor was not able to honour the Profit Guarantee in accordance with the Agreement. Based on the legal advice from the PRC legal adviser and the Agreement, Boshu (Shanghai) has brought the case in from of Beijing Arbitration Commission and commence arbitration proceeding to seek remedies in view of the Transferor's breach of the Agreement. The arbitration hearing is scheduled on 28 April 2023. Please refer to the announcements of the Company dated 19 April 2022, 11 October 2022 and 27 March 2023 for details.

## EMPLOYEES

As at 31 December 2022, the total number of employees of the Group was approximately 30 (2021: 30). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. For the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation, and/or to enable the Group to recruit high-calibre employees the Group has adopted a share option scheme in June 2017. As at 31 December 2022 and 31 December 2021, there were no outstanding share options granted under the new scheme.

## CHARGE OF GROUP ASSETS

As at 31 December 2022, no property (2021: Nil) is pledged as securities for the Group's banking facilities.

## GEARING RATIO

As at 31 December 2022, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 668% (2021: approximately 291.7%). Net debt represents the aggregate amount of the Group's interest-bearing bank and other borrowings, the liability component of convertible bonds, the non-current portion of the amount loans due to related parties and promissory note less cash and cash equivalents of the Group. Total capital represents total equity attributable to the owners of the Company.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is denominated in HK$. The Group's monetary assets, loans and transactions were principally denominated in RMB, USD and HK$. The Group had a net exchange exposure to RMB as the Group's assets were principally located in the PRC and the revenues were in RMB.

The Group does not have any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

## CONTINGENT LIABILITIES

(a) Pursuant to the civil complaint dated 29 November 2019 (the "Haitong Civil Complaint") filed by Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the "Plaintiff") as plaintiff with the Shanghai Financial Court, the Plaintiff claimed against Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics"), an indirect non wholly-owned subsidiary of the Company for (i) repayment of an aggregate amount of RMB197,754,190.70; and (ii) all the costs in relation to the Haitong Civil Complaint. The Haitong Civil Complaint had been accepted by the Shanghai Financial Court. The Haitong Civil Complaint was arisen from the dispute under a domestic factoring agreement dated 26 September 2018 (the "Factoring Agreement") entered into among the Plaintiff, 天津物產進出口貿易有限公司 (Tewoo Import and Export Trade Company Limited*) ("Tewoo") and Qian'an Logistics. Pursuant to the Factoring Agreement, the Plaintiff agreed to provide financing to Tewoo which, in return, agreed to assign all its rights under the account receivables in the aggregate amount of RMB223,463,688.00 (the "Account Receivables") payable by Qian'an Logistics to the Plaintiff in connection with five copper cathode contracts supplied by Tewoo to Qian'an. According to the Factoring Agreement, the Plaintiff appointed Tewoo to be its collection and receiving agent for the receipt of the Account Receivables payable by Qian'an Logistics. The management of Qian'an Logistics represented that Qian'an Logistics has fully settled the Account Receivables with Tewoo in connection with the five copper cathode contracts. Qian'an Logistics has received the judgement dated 28 July 2021 from Shanghai Financial Court, pursuant to which the claim filed by the Plaintiff was dismissed and the legal costs of the court hearing should be borne by the Plaintiff. Subsequent to the issue of the judgement, the Plaintiff filed an appeal with the Shanghai High People's Court ( the "Court") in relation to, among others, objection to the Shanghai Financial Court's judgement on the Haitong Civil Complaint and application for an order that the legal costs of the court hearing be borne by Qian'an Logistics. Qian'an Logistics has instructed its PRC legal adviser to handle all legal issues in connection with the appeal of the Haitong Civil Complaint. In September 2022, the Court issued a judgement pursuant to which the Court dismissed the appeal filed by the Plaintiff and upheld the judgement of the Shanghai Financial Court. The judgement of the Court should be the final judgement in respect of the Haitong Civil Complaint. In this case, Qian'an Logistics should not bear the Accounts Receivables and the related legal costs.

(b) Pursuant to the civil complaint dated 22 November 2019 (the "Haotai Civil Complaint") filed by 天津浩泰恒遠國際貿易有限公司 (Tianjin Haotai Hengyuan International Trading Company Limited*) ("Haotai") as plaintiff with Tianjin No. 1 Intermediate People's Court, Haotai claimed against Qian'an Logistics for (i) repaying the aggregate amount of RMB68,370,454, being the purchase price for goods supplied by the Haotai to Qian'an Logistics; and (ii) all the costs in relation to the Haotai Civil Complaint. On 4 January 2021, the Group received a judgment from Tianjin No. 1 Intermediate People's Court, pursuant to which the court approved the withdrawal application filed by Haotai in relation to its civil complaint against Qian'an Logistics, (i.e. the Haotai Civil Complaint) and the legal costs of the court should be borne by Haotai. The amount of RMB68,370,454 ("the Payable") claimed by Haotai has been included in trade payables as at 31 December 2021. On 8 July 2022, Qian'an Logistics, Haotai and 天津匯天嘉成供應鏈管理有限公司 (Tinjian Huitian Jiacheng Gongyinglian Management Co. Ltd*. ("Huitian Jiacheng"), which owed Qian'an Logistics by RMB77,562,329, entered into a settlement agreement (the "Settlement Agreement") pursuant to which: (i) Haotai has assigned part of the Payable in the sum of RMB53,580,973 to Huitian Jiacheng (the "Assigned Loan") with the balance of the Payable in the sum of RMB14,789,481 (the "Residue Loan") be repaid by Huitian Jiacheng to Haotai; (ii) the Assigned Loan and the Residue Loan would be offset with the claim amount due by Huitian Jiacheng to Qian'an Logistics; (iii) Huitian Jiacheng will repay the balance of the claim amount (after offset the Assigned Loan and the Residue Loan) (the "Balance") to Qian'an Logistics. After Qian'an Logistics withdraw the claim against Huitian Jiacheng from the Tianjin No.1 Intermediate People's Court, Huitian Jiacheng will fully settle the Balance. As at the reporting date, Qian'an Logistics received approximately RMB9,200,000, thus the Balance has been fully settled.

(c) Dongguan Haihui Logistics Co., Ltd*. (東莞市海輝物流有限公司) ("Dongguan Haihui"), an indirect wholly-owned subsidiary of the Company, has received a civil ruling (the "Judgment") from the Intermediate People's Court of Dongguan City, Guangdong Province (廣東省東莞市中級人民法院) (the "Guangdong Province Court") in June 2022, pursuant to which, the Guangdong Province Court has accepted the application made by Shenzhen Henshunying Trading Co., Ltd*. (深圳市恒順盈貿易有限公司) ("Shenzhen Henshunying") for the winding up of Dongguan Haihui on the basis of Dongguan Haihui failure to settle the judgment debt (with accrued interests), awarded in a previous civil judgment of the People's Court of Jiahe County, Hunan Province (湖南省嘉禾縣人民法院), to Shenzhen Henshunying in the sum of RMB4,017,686. On 22 November 2022, Judgement made and Dongguan Haihui should repay the judgement debt to the total sum of RMB3,200,000 of which RMB2,700,000 should be paid by 31 December 2022 and the remaining amount of RMB500,000 by 3 instalments from 2023 to 2025. As at the reporting date, the RMB2,700,000 has been paid and the unsettled balance has been included in the trade payables as at 31 December 2022.

## CAPITAL COMMITMENT

There was no material capital commitment as at 31 December 2022 (2021: nil).

## EVENTS OCCURRING AFTER THE REPORTING PERIOD

Boshu (Shanghai) has commenced the arbitration proceedings to seek remedies against the Transferor for breach of the Agreement in front of Beijing Arbitration Commission. The arbitration hearing is scheduled on 28 April 2023. Please refer to the announcement of the Company dated 19 April 2022, 11 October 2022 and 27 March 2023 for details.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

## UPDATE ON LISTING STATUS

On 26 November 2021, the Company received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares and that trading in the Company's shares be suspended on 8 December 2021 under Rule 6.01(3) of the Listing Rules (the "Decision"). Pursuant to Rules 2B of the Listing Rules, the Company submitted a written request to the Stock Exchange on 6 December 2021 for the Decision to be referred to the Listing Committee for review (the "Review"). On 25 February 2022, the Company received a letter from the Stock Exchange notifying the Company that Listing Committee decided to up hold the Decision to suspend trading in the Company's shares under Rule 6.01(3) of the Listing Rules. On 7 March 2022, the Company submitted a written request to the Listing Review Committee of the Stock Exchange for a further and final review pursuant to Rule 2B.06(2) of the Listing Rules. On 11 May 2022, the Listing Review Committee conducted a review hearing. On 23 May 2022, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having considered all the submissions presented by the Company and the Listing Division,the Listing Review Committee decided to up hold the Listing Committee's decision to suspend trading in the Company's shares under Rule 6.01(3) of the Listing Rules on the ground that the Company has failed to comply with Rule 13.24 of the Listing Rules. Trading in shares of the Company on the Stock Exchange has been suspended since 24 May 2022.

On 6 June 2022, the Company received a letter from the Stock Exchange setting out the following resumption guidance (the "Resumption Guidance") for the resumption of trading in the Company's shares:

- to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules.

The Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may also modify or supplement the Resumption Guidance if the Company's situation changes.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 23 November 2023. If the Company fails to remedy the issue(s) causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction, and resume trading in its shares by 23 November 2023, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

As at the date of this announcement, trading in the shares of the Company remain suspended pending fulfilment of the Resumption Guidance.

For further details, please refer to the announcements of the Company dated 28 November 2021, 6 December 2021, 27 February 2022, 7 March 2022, 24 May 2022, 7 June 2022, 23 August 2022, 23 November 2022, 23 February 2023 and 23 May 2023.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code set out in Part 2 of Appendix 14 ("CG Code") to the Listing Rules, save and except the followings:

**Code Provisions C.2.1 to C.2.9**

Code provisions C.2.1 to C.2.9 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual and set out the responsibilities of the chairman, including code provision C.2.7 which stipulates that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors. During the year under review, no chairman of the Board (the "Chairman") has been appointed and the chief executive officer was appointed in June 2022. However, all Directors together bring diverse experience and expertise to the Board. The Board will keep reviewing the current structure of the Board from time to time and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the Chairman as appropriate.

**Code Provision C.5.1**

Code provision C.5.1 stipulated that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, the Board held 15 meetings, including 4 regular meetings but not all of these regular meetings were held at approximately quarterly intervals. The Board met regularly to discuss, review and approve the financial and operating performance, and consider and approve the overall strategies and policies of the Company as well as on ad hoc basis, as required by business needs and ensured that the Directors were updated with the latest developments of the Group in a timely manner. The Company will schedule regular meetings be held at quarterly intervals in future.

**Code Provision F.2.2**

Under code provision F.2.2, the chairman of the board should attend the annual general meeting. As stated above, no Chairman has been appointed by the Company during the period under review. Given all directors are collectively responsible for the Company's stewardship, an executive Director acted as the chairman of the annual general meeting and all other directors attended in person or by way of electronic means the annual general meeting held on 21 June 2022.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on 7 June 2023. The Notice of the AGM will be published and despatched to the shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 2 June 2023 to 7 June 2023, both days inclusive during which period, no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms should be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on 1 June 2023.

## REVIEW OF ANNUAL RESULTS

The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Chen Wai Chung Edmund (the chairman), Ms. Choy So Yuk, Mr. Wu Zhao and Ms. Ang Mei Lee Mary. The Audit Committee has reviewed with the management and the Group's auditors the annual results of the Group for the year ended 31 December 2022.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.silkroadlogistic.com.hk). The annual report of the Company for the year containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## APPRECIATION

The Company would like to take this opportunity to thank all its valued shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

By order of the Board
**Silk Road Logistics Holdings Limited**
**Cheung Ngai Lam**
*Executive Director*

Hong Kong, 28 March 2023

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cheung Ngai Lam and Mr. Chung Wai Man; one non-executive Director, namely Mr. Ouyang Nong; and four independent non-executive Directors, namely Ms. Choy So Yuk, Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary.*

* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of the Chinese names.*