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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

SUMMARY

For the six months ended 30 June 2022, the revenue of the Group amounted to approximately HK$3,912,000 (six months ended 30 June 2021: HK$6,907,000). The Group's unaudited consolidated loss attributable to the owners of the Company for the six months ended 30 June 2022 was approximately HK$37,114,000, comparing to the loss attributable to the owners of the Company approximately HK$37,676,000 for the corresponding six-month period in 2021.

RESULTS

The board (the "Board") of directors (the "Directors") of Silk Road Logistics Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2022 together with the comparative figures for the corresponding six-month period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	*3*	**3,912**	6,907
Cost of sales and services	*5*	**(775)**	(3,789)
Gross profit		**3,137**	3,118
Other income and gains	*3*	**213**	195
Administrative expenses		**(16,676)**	(16,526)
Impairment of other receivable		**–**	(11,027)
Share of profit of associates		**–**	3,494
Finance costs	*4*	**(25,648)**	(23,134)
LOSS BEFORE TAX	*5*	**(38,974)**	(43,880)
Income tax credit	*6*	**–**	827
LOSS FOR THE PERIOD		**(38,974)**	(43,053)
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(10,804)**	2,494
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(49,778)**	(40,559)

		Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		**(37,114)**	(37,676)
Non-controlling interests		**(1,860)**	(5,377)
Loss for the period		**(38,974)**	(43,053)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(44,378)**	(36,225)
Non-controlling interests		**(5,400)**	(4,334)
Total comprehensive expense for the period		**(49,778)**	(40,559)

		Six months ended 30 June	
		2022	2021
		HK$	*HK$*
LOSS PER SHARE	*8*		
– Basic		**(0.06)**	(0.06)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2022

	Notes	**30 June 2022 *HK$'000* (unaudited)**	31 December 2021 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**158,408**	171,076
Right-of-use assets		**68,338**	73,294
Interests in associates		**–**	–
Oil properties		**66,143**	65,679
		292,889	310,049
CURRENT ASSETS			
Inventories		**969**	689
Trade receivables	*9*	**–**	–
Prepayments, deposits and other receivables		**143,136**	151,207
Income tax recoverable		**4,118**	4,548
Cash and cash equivalents		**45,409**	974
		193,632	157,418
Assets classified as held-for-sale		**–**	57,954
		193,632	215,372
CURRENT LIABILITIES			
Trade payables	*10*	**84,209**	87,691
Other payables and accruals		**123,678**	132,763
Other borrowings		**508,692**	488,356
Promissory notes payable		**73,315**	69,197
Obligations under finance leases		**–**	33
		789,894	778,040
NET CURRENT LIABILITIES		**(596,262)**	(562,668)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(303,373)**	(252,619)

	Notes	30 June 2022 HK$'000 (unaudited)	31 December 2021 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Other borrowings		**–**	138
Lease liabilities		**12,868**	13,419
Assets retirement obligations		**5,650**	5,485
Deferred tax liabilities		**14,384**	14,836
		32,902	33,878
Net liabilities		**(336,275)**	(286,497)
EQUITY			
Share capital		**64,179**	64,179
Reserves		**(474,327)**	(429,949)
Equity attributable to owners of the Company		**(410,148)**	(365,770)
Non-controlling interests		**73,873**	79,273
Total capital deficiency		**(336,275)**	(286,497)

Notes

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Notwithstanding that (a) the Group sustained net liabilities amounted to HK$336,275,000 at 30 June 2022; (b) the current liabilities of the Group at 30 June 2022 exceed the Group's current assets at that date by HK$596,262,000, which includes the other borrowings and the promissory notes payable amounted to HK$508,692,000 and HK$73,315,000 respectively; and (c) the Group incurred net loss of approximately HK$38,974,000 for the six months ended 30 June 2022, the directors considered it appropriate for the preparation of the condensed consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures which are in place or to be implemented:

Management of the Group closely monitors the financial position of the Group and the directors of the Company 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 lenders of the other borrowings and the holder of the promissory note payable for the extension of repayments of the 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 condensed consolidated financial statements.

The trading of shares of the Company has been suspended on the Stock Exchange as from 24 May 2022 and remained suspended as at 30 August 2022, the date of approval of these condensed consolidated financial statement.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in accounting policies and disclosures

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

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 HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current period has no material impact on the Group's performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the aggregate of net invoiced value of goods sold, after allowances for returns and trade discounts, and sales of oil, net of royalties, obligations to governments and other mineral interest owners, and income from logistic and trading services rendered, analysed as follows:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from:		
Sales of goods	**1,051**	4,225
Rendering of services	**2,861**	2,682
	3,912	6,907
Revenue recognised		
– point in time	**1,051**	4,225
– over time	**2,861**	2,682
	3,912	6,907

3. REVENUE, OTHER INCOME AND GAINS (CONT'D)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income and gains		
Bank interest income	**5**	–
Government grants	**64**	193
Sundry income	**144**	2
	213	195

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses, net of reimbursement on borrowings:		
Bank loans, overdrafts and other loans	**740**	7
Lease liabilities	**454**	461
Other borrowings	**24,454**	22,666
	25,648	23,134

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**–**	3,128
Cost of services	**775**	661
Staff costs (including directors' remuneration)	**2,656**	2,874
Depreciation of property, plant and equipment	**5,360**	5,661
Depreciation of right-of-use assets	**915**	1,513
Amortisation of oil properties	**129**	108
Lease payments under short term leases	**497**	522

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Over provision in prior periods	**–**	827
Tax credit for the period	**–**	827

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Under the Corporate Income Tax of the People's Republic of China ("PRC"), the PRC corporate income tax is calculated at the rate of 25% (six months ended 30 June 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% (six months ended 30 June 2021: 21%).

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

7. DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$37,114,000 (six months ended 30 June 2021: HK$37,676,000) and approximately 641,790,000 ordinary shares (six months ended 30 June 2021: 598,933,000 ordinary shares) in issue during the current period and prior period after taking account of the share consolidation of the Company's issued ordinary shares.

Diluted loss per share

No diluted loss per share is presented for the six months ended 30 June 2022 and 30 June 2021, as there were no potential ordinary shares in issue during those periods.

9. TRADE RECEIVABLES

	30 June 2022 *HK$'000* **(unaudited)**	31 December 2021 *HK$'000* (audited)
Trade receivables	**98,784**	99,569
Less: Impairment of trade receivables	**(98,784)**	(99,569)
	–	–

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 customers generally ranged from one to three months. Overdue balances are reviewed regularly by senior management.

9. TRADE RECEIVABLES (CONT'D)

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Not more than 30 days	**–**	–
31-60 days	**–**	–
61-90 days	**–**	–
91-365 days	**–**	–
Over one year	**98,784**	99,569
	98,784	99,569

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

	Six months ended 30 June 2022	Year ended 31 December 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year	**99,569**	100,509
Exchange realignment	**(785)**	(940)
At end of the period/year	**98,784**	99,569

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the management, impairment loss on trade receivables that have been past due has been adequately made in the consolidated financial statements.

The Group does not hold any collateral or other credit enhancements over these balances.

10. TRADE PAYABLES

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

	30 June 2022 *HK$'000* **(unaudited)**	31 December 2021 *HK$'000* (audited)
Not more than 30 days	**–**	97
31-60 days	**–**	58
61-90 days	**–**	35
91-365 days	**253**	45
Over one year	**83,956**	87,456
	84,209	87,691

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

11. 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"), a subsidiary of the Company for (i) repayment of an aggregate amount of RMB197,754,190; and (ii) all the costs in relation to the Haitong Civil Complaint. The Haitong Civil Complaint arose 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 (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 Logistic 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 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. The civil complaint is still in process. The effects of the appeal of the Haitong Civil Complaint on the Group cannot be assessed at this moment. No provision for the Haitong Civil Complaint has been made in the condensed consolidated financial statements.

(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 at 30 June 2022 presented in the condensed consolidated statement of financial position. No provision for the Haotai Civil Complaint has been made in the condensed consolidated financial statements. 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") 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; (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 Court, Huitian Jiacheng will fully settle the Balance. Up to the reporting date, 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 "Court") in June 2022, pursuant to which, the 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. As at the reporting date, administrator of Dongguan Haihui has been appointed.

Up to the reporting date, since the sum of RMB4,017,686 claimed by Shenzhen Henshunying has been included in trade payables as at 30 June 2022 presented in the condensed consolidated statement of financial position, accordingly, no provision has been made in the condensed consolidated financial statement.

12. EVENT AFTER THE REPORTING DATE

On 8 July 2022, Qian'an Logistics, Haotai and Huitian Jiacheng entered into the Settlement Areement pursuant to which: (i) Haotai has assigned the Assigned Loan in the sum of RMB53,580,973 due by Qian'an Logistics to Huitian Jiacheng with the Residue Loan in the sum of RMB14,789,481 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 Court, Huitian Jiacheng will fully settle the Balance. Up to the reporting date, the Balance has been fully settled.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, the Group recorded revenue of approximately HK$3,912,000, compared with that of HK$6,907,000 for the corresponding period in 2021, while the loss attributable to the owners of the Company is approximately HK$37,114,000 for the period, compared with the loss attributable to the owners of the Company of approximately HK$37,676,000 for the corresponding period in 2021. The operation of the Group in the first half of the year is similar to that of 2021, and the Group is eager to expand various kinds of business in the second half of the year.

BUSINESS REVIEW

In the first half of this year, geopolitical conflicts erupted as a leading risk to economic growth alongside the COVID pandemic. This confluence of economic shocks is unseen in recent history: the Russo-Ukraine war has tightened energy and food supplies, exacerbating the inflation pressure exerted by the COVID-induced supply chain disruptions. Against this backdrop, China grew at a record slow pace in the second quarter, facing economic headwinds on both the domestic and external trade scenes. The recent lockdowns in Shanghai and other cities have dented domestic demand and industrial production, which is not helped by the fact that inflated energy spendings have crowded out consumption of electronics and household merchandise – staples of China's exports to Western countries. Despite the weakened economic prospects, major central banks, notably the Federal Reserve, are set to raise target interest rates from near-zero levels in order to prevent inflation from becoming entrenched. This policy stance will in turn further constrain the global economic growth prospect.

During the report period, the Group's performance was hindered by factors over which we had little control, most notably the various restrictions imposed to contain the pandemic. The trading in the shares of the Company has been suspended since 24 May 2022 after the Listing Review Committee ruled in favour of the Listing Committee's suspension decision on the grounds of insufficient level of operations. The Company is confident of overcoming this setback with the determination to implement our business plan for this year, because we now have at our disposal the required resources and have at our service a competent staff who work smart and hard to meet the goals. In particular, the Company has been communicating with professional advisers and potential business partners on various business options and opportunities and working endlessly towards a viable proposal for the resumption of the trading in the shares of the Company as soon as possible.

In the first half of this year, our trading and logistics segment showed measured but steady progress in business recovery with the business units working to expand the customer base. Our core subsidiary Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics"), the primary source of revenue of the Group's operation in recent years, saw a slight increase in its logistics and warehousing business. Furthermore, another subsidiary, Dongguan Hai Hui Logistics Co., Ltd., will work to improve the commodities trading business. The Group expects that the segment will accelerate the resumption of business and operations from now on.

After the Russia-Ukraine war broke out, oil prices topped USD120 per barrel as a result of the concerted sanction on Russian oil by Western countries and then slipped to USD90 recently on economic slowdown concern. However. OPEC's outlook for 2023 suggests no relief for the tight market conditions due to the historical underinvestment and political instability of some of the member states. This is echoed by the recent forecast of U.S. Energy Information Administration that the Brent price will average USD94 in 2023, with the baseline flatting out at the current price level. The oil segment has been scaled down distinctly after the disposal of the equity interest in RockEast Energy Corporation ("RockEast") in March. The proceeds from the disposal have strengthened the working capital position of the Group and will be applied partly to business development.

The debtor's turnover day of the Group for the six months ended 30 June 2022 was nilcompared with 57 days for the six months ended 30 June 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 new 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 world is facing two difficult policy trade-offs: between tackling inflation and safeguarding the recovery; and between rebuilding fiscal buffer and upgrading infrastructure. First, the current monetary tightening cycle is increasingly synchronized because the priority of major central banks has become taking decisive actions to ward off the possibility of a destructive wage-price spiral. In particular, although the US is still enjoying near-term momentum in consumer spending supported by nominal wage increase, the aggressive monetary tightening could slow GDP growth to a crawl from the second half of next year. If economic indicators show that inflation will remain elevated over the medium term, central banks will be forced to react faster than currently anticipated.

Second, countries will need to tighten their fiscal policy to reduce the burden of increasingly expensive borrowing as well as to tamp down demand and thus inflation. Following a huge fiscal expansion in many countries during the pandemic, public debt levels have risen to all-time highs and governments are more exposed than ever to higher interest rates. The need for fiscal consolidation may drive some governments to prioritize spendings on social support for the poor and the needy – those affected by commodity price spikes and/or the pandemic – over new public works projects. All in all, the global economic outlook is likely to be dampened by simultaneous monetary tightening and fiscal consolidation.

As it is evident that the coronavirus is becoming an ongoing and returning public health concern, China actively seeks a delicate balance between COVID control and economic development. A case in point is Shanghai after the recent lockdown. The city launched an action plan consisting of a suite of fifty measures to speed up economic resumption. The swift policy response has successfully rekindled industrial output, especially for the strategic car production industry. On the macroeconomic level, the People's Bank of China is also finetuning its supportive monetary policy in order to buttress the real economy without excessive monetary expansion. The focus is a non-discriminative distribution of bank credit to all industry sectors and all ownership types of enterprises to ensure a balanced and self-sustaining economic recovery. In this envisioned stable and inducive environment, the Group aims to ride out this unusual business cycle by building strength and depth in our own niches.

The new business initiatives are being actively sought and developed in the commodity trading and logistics space. Over the past few months, the Company has been in the process of identifying a potential opportunity to engage in coal procurement, warehouse and logistics services in China. If it comes to pass, the project will lay a golden foundation to expand our commodity trading business beyond our long-standing partnerships and existing commodity offerings. In this pursuit, the Group will continue to tap into the potential of our strategically located logistics and warehousing facilities, with the immediate goal being the restoration of revenue and profitability of our trading and logistics segment.

We are also eager in driving future business development. In particular, the iron ore trading project in cooperation with an Australia-based mining company is progressing as far as the situation allows. Earlier this year, the mining company informed the Company that their management and operation had been obstructed by the COVID-induced border controls. Currently with the restrictions lifted, preparatory works at the iron ore mine are expected to gather speed and scale. Based on this expectation, both sides agree that a formal business cooperation agreement will be entered in due course. Meanwhile, our trading and logistics teams positioned in Hong Kong and Mainland China are capturing business opportunities and thrashing out plans with potential buyers. This development is in line with the Group's strategic direction of asset-light growth which will improve our return on asset and can take advantage of our well-established trading and logistics platform.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 30 June 2022, the Group had total other borrowings and promissory notes payable in the amount of approximately HK$508,692,000 and HK$73,315,000 (31 December 2021: HK$488,494,000 and HK$69,197,000 respectively), representing an increase of HK$20,198,000 and HK$4,118,000 respectively. Both are repayable within one year.

The Group's total other borrowings of approximately HK$496,992,000 are denominated in HK$ is charged at fixed rate and approximately HK$11,700,000 are denominated in US$ is charged at fixed rate. The Group's cash and bank balances of approximately HK$45,409,000 were 2% denominated in RMB, 1% in USD and 97% in HK$. The promissory notes payable is denominated in HK$.

As at 30 June 2022 and 31 December 2021, 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$468,163,000 (31 December 2021: HK$447,826,000). It is denominated in HK$ and bear interest at fixed interest rate of 6% per annum, with an overdue penalty rate of 5% 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 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 is owned by Boshu (Shanghai) and the Transferor respectively), 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 shall be settled by share dividends distributed by Inner Mongolia to which Boshu (Shanghai) is entitled. The Transferor undertakes 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 will be not less than HK$4,000,000 annually. As at the reporting date, Loan Capitalisation has been completed while the Acquisition has not yet completed. For details, please refer to the announcement of the Company dated 19 April 2022.

EMPLOYEES

As at 30 June 2022, the total number of employees of the Group was approximately 30 (31 December 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, the Group adopted the existing share option scheme in June 2017 (the "Share Option Scheme"). As at 30 June 2022 and 31 December 2021, there were no outstanding share options granted under the Share Option Scheme.

CHARGE OF GROUP ASSETS

As at 30 June 2022 and 31 December 2021, there were no charge of assets for the Group.

GEARING RATIO

As at 30 June 2022, the gearing ratio of the Group (being the ratio of net debt divided by total capital) was approximately 424.4% (31 December 2021: approximately 291.7%). Net debt represents the aggregate amount of the Group's other borrowings and promissory note less cash and cash equivalents of the Group. Total capital includes total equity attributable to the owners of the Company and net debt.

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

Details of the contingent liabilities of the Group during the reporting period are set out in note 11 on pages 12 and 13 of this announcement.

EVENT AFTER THE REPORTING PERIOD

Details of event after the reporting period are set out in note 12 on page 13 of this announcement.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022, except the following deviations:

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 period 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 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 and all other Directors attended in person or by way of electronic means the annual general meeting of the Company held on 21 June 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 and 7 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 six months ended 30 June 2022.

CHANGE OF INFORMATION OF DIRECTORS

1. With effect from 1 January 2022, the remuneration of Mr. Cheung Ngai Lam and Mr. Chung Wai Man has adjusted to HK$300,000 per annum and is eligible for discretionary bonus which is determined by the Board with reference to his duties, responsibilities and contribution to the Group, the Company's remuneration policy and the prevailing market conditions.

2. With effect from 1 July 2022, the remuneration of Mr. Ouyang Nong has adjusted to HK$150,000 per annum and he is not entitled to any bonus payment by the Company.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive Directors, namely, Mr. Chen Wai Chung Edmund (as chairman), Ms. Choy So Yuk, Mr. Wu Zhao and Ms. Ang Mei Lee Mary. The interim results of the Group for the six months ended 30 June 2022 has not been audited or reviewed by the Company's auditors but has been reviewed by the Audit Committee.

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

Hong Kong, 30 August 2022

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.