Silk Road Logistics Holdings Limited
絲路物流控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
Stock Code 股份代號：00988

2023
INTERIM REPORT
中期報告

Corporate Information

EXECUTIVE DIRECTORS
Mr. Cheung Ngai Lam
Mr. Chung Wai Man

NON-EXECUTIVE DIRECTOR
Mr. Ouyang Nong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Choy So Yuk, *BBS, JP*
(resigned on 11 September 2023)
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
(resigned on 11 September 2023)
Ms. Ang Mei Lee Mary
Mr. Chu Kin Wang, Peleus
(appointed on 11 September 2023)
Mr. Lam Tin Faat
(appointed on 11 September 2023)

CHIEF EXECUTIVE OFFICER
Mr. Meng Fanpeng

AUDIT COMMITTEE
Mr. Chen Wai Chung Edmund *(chairman)*
(resigned on 11 September 2023)
Ms. Choy So Yuk, *BBS, JP*
(resigned on 11 September 2023)
Mr. Wu Zhao
Ms. Ang Mei Lee Mary
Mr. Chu Kin Wang, Peleus *(chairman)*
(appointed on 11 September 2023)
Mr. Lam Tin Faat
(appointed on 11 September 2023)

REMUNERATION COMMITTEE
Ms. Choy So Yuk, *BBS, JP (chairman)*
(resigned on 11 September 2023)
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
(resigned on 11 September 2023)
Ms. Ang Mei Lee Mary
(appointed as chairman on
11 September 2023)
Mr. Chu Kin Wang, Peleus
(appointed on 11 September 2023)
Mr. Lam Tin Faat
(appointed on 11 September 2023)

NOMINATION COMMITTEE
Ms. Choy So Yuk, *BBS, JP (Chairman)*
(resigned on 11 September 2023)
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
(resigned on 11 September 2023)
Ms. Ang Mei Lee Mary
Mr. Cheung Ngai Lam
Mr. Chu Kin Wang, Peleus
(appointed on 11 September 2023)
Mr. Lam Tin Faat *(chairman)*
(appointed on 11 September 2023)

EXECUTIVE COMMITTEE
Mr. Cheung Ngai Lam
Mr. Chung Wai Man

AUTHORISED REPRESENTATIVES
Mr. Cheung Ngai Lam
Ms. Chiu Yuk Ching

COMPANY SECRETARY
Ms. Chiu Yuk Ching

AUDITORS
CCTH CPA Limited

REGISTERED OFFICE
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS
China Citic Bank International Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Limited
Bank of China (Hong Kong) Limited

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 HK$'000 (unaudited)	Six months ended 30 June 2022 HK$'000 (unaudited)
REVENUE	5	**2,470**	3,912
Cost of sales and services	7	**(1,321)**	(775)
Gross profit		**1,149**	3,137
Other income and gains	5	**65**	213
Administrative expenses		**(11,690)**	(16,676)
Finance costs	6	**(26,606)**	(25,648)
LOSS BEFORE TAX	7	**(37,082)**	(38,974)
Income tax	8	**–**	–
LOSS FOR THE PERIOD		**(37,082)**	(38,974)
OTHER COMPREHENSIVE EXPENSE			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(4,331)**	(10,804)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(41,413)**	(49,778)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		**(35,066)**	(37,114)
Non-controlling interests		**(2,016)**	(1,860)
Loss for the period		**(37,082)**	(38,974)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(36,441)**	(44,378)
Non-controlling interests		**(4,972)**	(5,400)
Total comprehensive expense for the period		**(41,413)**	(49,778)

	Notes	Six months ended 30 June	
		2023	2022
		HK$	HK$
LOSS PER SHARE	10		
– Basic		**(0.05)**	(0.06)
– Diluted		**N/A**	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**137,130**	148,163
Right-of-use assets		**60,976**	65,124
Oil properties		**65,966**	65,842
		264,072	279,129
CURRENT ASSETS			
Inventories		**611**	745
Trade receivables	12	**–**	170
Prepayments, deposits and other receivables		**30,274**	28,123
Income tax recoverable		**1,840**	3,976
Cash and cash equivalents		**38,616**	49,877
		71,341	82,891
CURRENT LIABILITIES			
Trade payables	13	**22,045**	24,849
Other payables and accruals		**73,780**	83,587
Other borrowings		**572,996**	549,219
Promissory notes payable		**82,113**	77,501
		750,934	735,156
NET CURRENT LIABILITIES		**(679,593)**	(652,265)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(415,521)**	(373,136)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**11,597**	12,273
Assets retirement obligations		**5,910**	5,757
Deferred tax liabilities		**14,035**	14,484
		31,542	32,514
Net liabilities		**(447,063)**	(405,650)
EQUITY			
Share capital	14	**64,179**	64,179
Reserves		**(574,389)**	(537,948)
Equity attributable to owners of the Company		**(510,210)**	(473,769)
Non-controlling interests		**63,147**	68,119
Total capital deficiency		**(447,063)**	(405,650)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2023 (audited)	**64,179**	**1,498,954**	**-**	**(20,181)**	**178,368**	**773,090**	**(2,968,179)**	**(473,769)**	**68,119**	**(405,650)**
Loss for the period	-	-	-	-	-	-	(35,066)	(35,066)	(2,016)	(37,082)
Other comprehensive expense for the period:										
Exchange differences on transaction of foreign operations	-	-	-	(1,375)	-	-	-	(1,375)	(2,956)	(4,331)
Total comprehensive expense for the period	-	-	-	(1,375)	-	-	(35,066)	(36,441)	(4,972)	(41,413)
Balance at 30 June 2023 (unaudited)	**64,179**	**1,498,954**	**-**	**(21,556)**	**178,368**	**773,090**	**(3,003,245)**	**(510,210)**	**63,147**	**(447,063)**
Balance at 1 January 2022 (audited)	64,179	1,498,954	3,632	(6,701)	178,368	773,090	(2,877,292)	(365,770)	79,273	(286,497)
Loss for the year	-	-	-	-	-	-	(94,519)	(94,519)	(5,067)	(99,586)
Other comprehensive income for the year										
Exchange differences on translation of foreign operations	-	-	-	(13,480)	-	-	-	(13,480)	(6,087)	(19,567)
Total comprehensive income for the year	-	-	-	(13,480)	-	-	(94,519)	(107,999)	(11,154)	(119,153)
Transferred to accumulated losses on disposal of an associate	-	-	(3,632)	-	-	-	3,632	-	-	-
At 31 December 2022 (audited)	64,179	1,498,954	-	(20,181)	178,368	773,090	(2,968,179)	(473,769)	68,119	(405,650)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash used in operating activities	**(11,230)**	(11,609)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**53**	5
Additions to property, plant and equipment, and oil property	**–**	(105)
Net cash generated from/(used in) investing activities	**53**	(100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance leases	**–**	(33)
Repayment of lease liabilities	**(564)**	(604)
Net proceeds from disposal of assets classified as held-for-sale	**–**	57,748
Other financing activities	**(3)**	(4)
Net cash (used in)/generated from financing activities	**(567)**	57,107
Net (decrease)/increase in cash and cash equivalents	**(11,744)**	45,398
Cash and cash equivalents at beginning of the period	**49,877**	974
Effect of foreign exchange rate changes	**483**	(963)
Cash and cash equivalents at end of the period	**38,616**	45,409
Analysis of cash and cash equivalents		
Cash and bank balances included in cash and cash equivalents as stated in the condensed consolidated statement of financial position	**38,616**	45,409

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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$447,063,000 at 30 June 2023; (b) the current liabilities of the Group at 30 June 2023 exceed the Group's current assets at that date by HK$679,593,000, which includes the other borrowings and the promissory notes payable amounted to HK$572,996,000 and HK$82,113,000 respectively; and (c) the Group incurred net loss of approximately HK$37,082,000 for the six months ended 30 June 2023, 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 up to 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 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Definition of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

3. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

4. OPERATING SEGMENT INFORMATION

The directors of the Company determine its operating segments based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The commodities trading segment is engaged in the trading of commodities purchased from external parties and provision of services;

(b) The oil segment is engaged in exploration and production of oil as well as the provision of well drilling services; and

(c) The logistics segment is engaged in the provision of transportation and warehousing services.

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2023

	Commodities trading segment HK$'000 (unaudited)	Oil segment HK$'000 (unaudited)	Logistics segment HK$'000 (unaudited)	Total HK$'000 (unaudited)
Segment revenue				
Sales of goods and rendering of services to external customers	–	904	1,566	2,470
Segment loss	–	(838)	(8,199)	(9,037)
Reconciliation:				
Unallocated income and expense, net				(28,045)
Loss before tax				(37,082)
Other segment information				
Depreciation and amortisation	–	553	5,579	6,132
Unallocated depreciation and amortisation				–

There were no inter-segment sales for both of the periods presented.

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2022

	Commodities trading segment HK$'000 (unaudited)	Oil segment HK$'000 (unaudited)	Logistics segment HK$'000 (unaudited)	Total HK$'000 (unaudited)
Segment revenue				
Sales of goods and rendering of services to external customers	599	1,051	2,262	3,912
Segment profit/(loss)	599	(448)	(6,237)	(6,086)
Reconciliation:				
Unallocated income and expense, net				(32,888)
Loss before tax				(38,974)
Other segment information				
Depreciation and amortisation	–	663	5,741	6,404
Unallocated depreciation and amortisation				–

4. OPERATING SEGMENT INFORMATION (continued)

At 30 June 2023

	Commodities trading segment HK$'000 (unaudited)	Oil segment HK$'000 (unaudited)	Logistics segment HK$'000 (unaudited)	Total HK$'000 (unaudited)
Segment assets	24,302	72,387	192,485	289,174
Reconciliation:				
Unallocated assets				46,239
Total assets				335,413
Segment liabilities	14,717	19,647	44,250	78,614
Reconciliation:				
Unallocated liabilities				703,862
Total liabilities				782,476

At 31 December 2022

	Commodities trading segment HK$'000 (audited)	Oil segment HK$'000 (audited)	Logistics segment HK$'000 (audited)	Total HK$'000 (audited)
Segment assets	25,434	72,318	208,356	306,108
Reconciliation:				
Unallocated assets				55,912
Total assets				362,020
Segment liabilities	13,890	19,676	46,486	80,052
Reconciliation:				
Unallocated liabilities				687,618
Total liabilities				767,670

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2023 HK$'000 (unaudited)	Six months ended 30 June 2022 HK$'000 (unaudited)
PRC	**1,566**	2,861
Other countries	**904**	1,051
	2,470	3,912

The revenue information above is based on the location of the customers.

(b) Non-current assets

	Six months ended 30 June 2023 HK$'000 (unaudited)	Year ended 31 December 2022 HK$'000 (audited)
PRC	**194,462**	208,860
USA	**69,610**	70,269
	264,072	279,129

5. 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	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from:		
Sales of goods	**904**	1,051
Rendering of services	**1,566**	2,861
	2,470	3,912
Revenue recognised		
– point in time	**904**	1,051
– over time	**1,566**	2,861
	2,470	3,912

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income and gains		
Bank interest income	**53**	5
Government grants	**–**	64
Sundry income	**12**	144
	65	213

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest expenses, net of reimbursement on borrowings:		
Bank loans, overdrafts and other loans	**728**	740
Lease liabilities	**414**	454
Other borrowings	**25,464**	24,454
	26,606	25,648

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of services	**1,321**	775
Staff costs (including directors' remuneration)	**2,239**	2,656
Depreciation of property, plant and equipment	**4,842**	5,360
Depreciation of right-of-use assets	**1,208**	915
Amortisation of oil properties	**82**	129
Lease payments under short term leases	**539**	497

8. INCOME TAX CREDIT

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 periods presented.

9. DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. 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$35,066,000 (six months ended 30 June 2022: approximately HK$37,114,000) and approximately 641,790,000 ordinary shares (six months ended 30 June 2022: approximately 641,790,000 ordinary shares) in issue during the current period and prior period.

Diluted loss per share

No diluted loss per share is presented for the six months ended 30 June 2023 and 30 June 2022, as there were no potential ordinary shares in issue during those periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had not acquired (six months ended 30 June 2022: Nil) and disposed of (six months ended 30 June 2022: Nil) any significant items of property, plant and equipment. Depreciation for items of property, plant and equipment for the period amounted approximately HK$4,842,000 (six months ended 30 June 2022: approximately HK$5,360,000).

12. TRADE RECEIVABLES

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Trade receivables	**–**	170
Less: Impairment of trade receivables	**–**	–
	–	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 customers generally ranged from one to three months. Overdue balances are reviewed regularly by senior management.

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 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Not more than 30 days	**–**	109
31-60 days	**–**	61
61-90 days	**–**	–
91-365 days	**–**	–
Over one year	**–**	–
	–	170

12. TRADE RECEIVABLES (continued)

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

	Six months ended 30 June 2023 HK$'000 (unaudited)	Year ended 31 December 2022 HK$'000 (audited)
At beginning of the period/year	**–**	99,569
Exchange realignment	**–**	(1,358)
Less: Eliminated on write off of receivables*	**–**	(98,211)
At end of the period/year	**–**	–

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

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.

13. 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 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Not more than 30 days	**–**	6
31-60 days	**–**	3
61-90 days	**–**	–
91-365 days	**–**	1,124
Over one year	**22,045**	23,716
	22,045	24,849

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

14. SHARE CAPITAL

	Par value per share HK$	Number of ordinary shares '000	Nominal amount HK$'000
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	0.10	**20,000,000**	2,000,000
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	0.10	**641,790**	64,179

15. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the Group had the following material balances and transactions with related parties during the period:

Government-related entities operated in the PRC

The Group had transactions and balances with PRC entities which are under the Group's one of the shareholders, Tewoo Group Company Limited, and also the transactions and balances with Xinya Global Limited, which its ultimate holding company is Tewoo Group Company Limited (together with its subsidiaries as the "Tewoo Group"). Details of the transactions and balances were as follows:

(i) Transactions/balances with government-related entities

Major transactions with the government-related entities

	For the six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest expense on other borrowings to Xinya Global Limited	**20,852**	20,337

15. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Government-related entities operated in the PRC (continued)

(i) Transactions/balances with government-related entities (continued)

Balances with government-related entities

	As at 30 June 2023 HK$'000 (unaudited)	As at 31 December 2022 HK$'000 (audited)
Other borrowings from Xinya Global Limited	**509,950**	489,098

(ii) Balances with the other related parties

	As at 30 June 2023 HK$'000 (unaudited)	As at 31 December 2022 HK$'000 (audited)
Amount due from a related party (included in prepayments, deposits and other receivables)	**24,302**	25,434
Amount due to a related party (included in other payables and accruals)	**329**	343
Other borrowings from a related party	**1,378**	1,339

15. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Government-related entities operated in the PRC (continued)

(iii) Transaction with other related parties

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest expense on other borrowings to a related party	**39**	87
Compensation of key management personnel of the Group		
Short term employee benefits	**1,992**	1,758
Post-employment benefits	**42**	39
Total compensation paid to key management personnel	**2,034**	1,797

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. The fair values are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

(b) Reconciliation of Level 3 fair value measurement

Reconciliation of Level 3 fair value measurement is not presented as the Group had no financial assets or financial liabilities that are measured at fair value at end of the reporting period.

17. 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 filed an appeal with the Court in connection with the appeal made by the Plaintiff. 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. No provision for the Haitong Civil Complaint has been made in the consolidated financial statements.

17. CONTINGENT LIABILITIES (continued)

(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 and other 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 (Tianjin 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 would 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 would fully settle the Balance. In August 2022, 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 remaining balance was not yet settled and the unsettled balance has been included in the trade payables as at 30 June 2023.

18. EVENT AFTER THE REPORTING DATE

Winding Up Petition

On 18 August 2023, the Company received a winding-up petition (the "Petition") against the Company filed by Wise Perfection Limited (the "Petitioner") at the High Court of the Hong Kong Special Administrative Region (the "High Court") in relation to an indebted sum of approximately HK$65.6 million. The Petition will be heard on 1 November 2023. The Company will engage legal adviser and take appropriate actions to protect the interest of the Company. In June 2023, the Company has appointed Ernst & Young Transactions Limited as the restructuring adviser (the "Restructuring Adviser") who has commenced the preparation of the restructuring proposal and meeting with the creditors, including the Petitioner. The Company will continue to proactively communicate and work with the Restructuring Adviser on the restructuring plans. Please refer to the announcements of the Company dated 1 June 2023 and 21 August 2023.

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

General Information

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2023, the Group recorded revenue of approximately HK$2,470,000, compared with that of HK$3,912,000 for the corresponding period in 2022, while the loss attributable to the owners of the Company is approximately HK$35,066,000 for the period, compared with the loss attributable to the owners of the Company of approximately HK$37,114,000 for the corresponding period in 2022. The operation of the Group in the first half of the year is similar to that of 2022, 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, the global economic environment supported a gradual recovery from the pandemic and the Ukraine War. After supply-chain disruptions had largely unwound, energy and grain markets calmed from the spikes seen in the wake of the war. On the policy front, the massive and synchronous tightening of monetary policy by central banks also started to bear fruit, with inflation peaking out. These developments have helped major economies to hold up and recover. The U.S. economy has been supported by a robust employment picture, posting a better-than-expected GDP growth of 2% for the first quarter despite the rate hike. China also rebounded strongly following its reopening and grew 6.3% year-on-year in the second quarter. On the other hand, the European economy was flat partly because the area had been worst hit by the energy crunch. The world economy has thus passed the initial recovery stage; and future economic trajectories will depend on the region-specific structural factors as well as the effectiveness of the relief measures taken so far.

The world is going through the middle of the most aggressive interest rate hiking cycle in recent history, with the effects of the monetary tightening rippling throughout the global economy. The Group's performance and business development has been inevitably influenced by this contractionary environment. After the suspension of trading in the Company's shares, the Group has adopted a pragmatic and yet forward-thinking approach toward fulfilling the resumption requirements. In order to best harness the market opportunities given our own competitive edge, the Company has recently appointed an external restructuring adviser, Ernst & Young Transactions Limited, to assist in the formulation of business restructuring plans. The Company will work closely with the restructuring adviser as well as other professional advisers to advance the interests of our shareholders and business partners. We are confident that we can overcome the short-term challenges and execute our business strategy with tangible results.

As COVID has gone behind us, the Group has continued to exert our best efforts to resume operations across all our business segments. In particular, our trading and logistics segment has continued the process of expanding our business offerings and reorienting the operating units for this purpose. The Group expects that the segment can accelerate business restoration through restructuring along geographical lines and commodity types, as China's investment in infrastructure and manufacturing equipment has shown notable growth. During the report period, our leading subsidiary Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics") benefited from more operational flexibility without the constraints of occasional lockdowns.

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Oil prices hovered around USD80/bbl in the first half of this year as the market signals were mixed: bearish economic forecasts and concerns over demand growth clashed with rebounding oil use in key consuming countries. Normalized air traffic is the main contributor to the global demand gains. While the demand is expected to continue to rise over the rest of the year, only a marginal increase in supply is foreseen. Some OPEC+ producers have imposed further production cuts and planned to roll over the curbs through 2024. Taken together, the demand and supply factors point to a mild upward trend in oil prices in the near future. Given this relatively stable market conditions, our oil segment maintained its operation scale and turned in a revenue of approximately HK$904,000 for the six months ended 30 June 2023.

The debtor's turnover day of the Group for the six months ended 30 June 2023 and 30 June 2022 were minimal, which are 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

For the medium term, the world economy has entered a phase characterized by weaker-than-potential growth and sporadic financial risks. As shown by about of banking instability, the sharp policy tightening has heaped pressure on the financial sector, especially those financial institutions with excess leverage and interest rate exposure. Nonetheless, there is a silver lining that the resulting selective lending behaviour of the banking sector can induce a potent pass-through of monetary tightening, cooling aggregate activity and moderating inflation more effectively than otherwise. In the U.S., core CPI has trended down since December 2022, while the unemployment rate has remained at low level.

Although some economic and financial indicators have pointed to a mild recession for months, the U.S. economy has shown resilience in the official reports. A major supporting factor in the U.S. as well as in other Western countries is the health of household finances. It is estimated that an average family in the G7 had an "excess" saving of around about 10% of their annual consumer spending, accumulated through a combination of pandemic stimulus and lower outlays. As a result, consumer spending has weathered higher prices and a higher credit cost, buttressing the economy. The market shows optimism that the U.S. economy can achieve a soft landing – a gradual slowdown accompanied by a decline in inflation while avoiding a recession. In the near term, the global economy is projected to experience sub-par growth until inflation retreats to the central banks' target zones, creating the anticipation of the official end of the tightening cycle.

General Information

From a broader perspective, the international business landscape continues to be shaped by geoeconomic friction. Over the course of the past few years, the geoeconomic rivalry has widened from the imposition of tariff hikes to technology sanctions. The slower pace of globalization, alongside with the pandemic, have caused multinational corporations to reconfigure their businesses in order to maintain market access while managing geopolitical risks. On the logistics side of the equation, players across the board have begun to revise their production and sourcing strategies. Diversification and redundancy of production facilities are some of the means to ensure the on-time delivery of finished products and critical supplies. Global value chains are being restructured to become more resilient to different types of shocks in terms of predictability and severity.

To facilitate recovery from the pandemic, China is forging ahead with a comprehensive array of internal and external initiatives. Chinese policymakers are committed to restoring the growth rate to its long-term potential level with a slew of stimulus measures to bolster domestic consumption and adopt advanced and green technology for sustainable growth. In the diplomatic arena, China and the U.S. have agreed to adopt a more pragmatic stance to stabilize their diplomatic relationships as the two economic powerhouses are wary of the possible detrimental fallout of a wholesale economic decoupling. The sides hope to develop a more balanced agenda between competition and cooperation, which is a positive development which could avoid large adverse spillovers to the global economy. In this anticipated stable and conducive environment, the Group plans to steer through the current economic cycle by utilizing the expertise in our specialized fields.

The Group has been steadfastly striving to enhance our trading and logistics segment, with a focus on both revenue growth and profitability improvement. We are vigorously pursuing new business initiatives, placing particular emphasis on the financial stability of prospective partners and optimized asset utilization. A key aspect of our budgetary objectives is the management of counterparty risk by judicious selection of business partners. Our established reputation as a trustworthy service provider will aid us in forging alliances with reliable entities. Furthermore, we intend to capitalize on our existing logistics and warehousing facilities as immediate sources of revenue. This approach will serve as a roadmap for our team, stationed at both the headquarters and regional offices, as we recommence and grow business activities.

The Group is pleased to report that our joint effort with the restructuring advisor has broken ground in pinning down business opportunities. The exploration and assessment of promising opportunities in commodities trading, logistics and warehousing are currently underway. The scope of commodities being considered includes and extends beyond construction materials, coal, and iron ore. When these potential projects materialize, they will present a fresh pathway for our corporate growth, further underscoring the Group's commitment to compliance with Listing Rules requirements.

General Information

Our project development strategy aligns with our long-term corporate goal of establishing an asset-light expansion model. We aim for scalability in our projects by making strategic use of our pre-existing trading infrastructures, both physical and digital. We foresee successful outcomes and outstanding financial returns to be orchestrated by our first-in-class personnel based in Hong Kong and Mainland China and powered by our financial resources to actualize potential projects. The Group stands in a prime position to reap benefits from the booming trading operations across Asia.

In addition to financial targets, the Group is in active pursuit of maintaining a high standard in corporate governance and ethical issues. These values do not merely reflect the external expectation of the regulatory authorities and the investment community, but are intrinsic to our corporate culture. In addition to professional competencies and tenacity, integrity and accountability form another critical dimension that underscores our operations: it is not just about what we want to achieve, but also how we should do it honestly and fairly. Each decision and each action we take is a testament to these values being put into regular practice.

It is a prerequisite that every member of our staff must act in accordance with the law, the relevant codes of conduct and careful impact assessment on stakeholders. As veterans in our organization, the Directors and the senior management demonstrate the ethical values through their leadership. Through continuous discussions about these principles, their leading-by-example approach ensures that ethical considerations are at the forefront of our decision-making processes. To facilitate adherence, the Group have set forth clear guidelines on ethical business dealings. Moreover, we have set up a remedial mechanism with an anti-corruption policy and a whistle-blowing policy in place to address any deviations from our moral standards.

During this crucial period of business restoration, our organization stands at a crossroad of transformation and upgrades. The significant shifts in the macroeconomic landscape have necessitated a parallel evolution within our Group. As we are charting the challenging and complex course, my heart swells with gratitude for all my colleagues, whose unwavering commitment and efforts have carried us through. We will continue to foster a corporate culture of collaboration, innovation, and mutual respect for fulfilling our vision of bridging the world for sustainable development.

General Information

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 30 June 2023, the Group had total other borrowings and promissory notes payable in the amount of approximately HK$572,996,000 and HK$82,113,000 respectively (31 December 2022: HK$549,219,000 and HK$77,501,000 respectively), representing an increase of HK$23,777,000 and HK$4,612,000 respectively. Both are repayable within one year.

The Group's total other borrowings are denominated in HK$ and charged at fixed rate. The Group's cash and bank balances of approximately HK$38,616,000 were 19.8% denominated in RMB, 0.2% in USD and 80.0% in HK$. The promissory notes payable is denominated in HK$.

As at 30 June 2023 and 31 December 2022, 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$509,950,000 (31 December 2022: HK$489,098,000). It is denominated in HK$ 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

During the period under review, there was no material acquisition or disposal of subsidiaries and affiliated companies.

General Information

EMPLOYEES

As at 30 June 2023, the total number of employees of the Group was approximately 30 (31 December 2022: 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 2023 and 31 December 2022, there were no outstanding share options granted under the Share Option Scheme.

CHARGE OF GROUP ASSETS

As at 30 June 2023 and 31 December 2022, there were no charge of assets for the Group.

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Group (being the ratio of net debt divided by total capital) was approximately 580% (31 December 2022: approximately 668%). 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 17 to the Condensed Consolidated Financial Statements.

LITIGATION

In November 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) has commenced the arbitration proceeding to seek remedies against Tianjin Huiliyuan International Trading Co., Ltd. (天津匯力源國際貿易有限公司, "Huiliyuan") for Huiliyuan breach of the Agreement (as defined in below). Pursuant to the agreement dated 19 April 2022 entered into by Boshu (Shanghai) as the transferee and Huiliyuan as the transferor (the "Agreement"), Boshu (Shanghai) agreed to acquire (the "Acquisition") from Huiliyuan 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 Huiliyuan 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 Huiliyuan 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. Huiliyuan 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, Huiliyuan failed to transfer the sale equity interest to Boshu (Shanghai) due to the fact that Huiliyuan had already transferred all its equity interest in Inner Mongolia to third party(ies). Hence Huiliyuan was not able to honour the Profit Guarantee in accordance with the Agreement. As at the date of this report, the arbitration has not yet been concluded. Please refer to the announcements of the Company dated 19 April 2022, 11 October 2022 and 27 March 2023 for details.

General Information

EVENT AFTER THE REPORTING PERIOD

Details of event after the reporting period are set out in note 18 to the Condensed Consolidated Financial Statements.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2023, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long and short positions in the shares and underlying shares of the Company

Name of Director/ Chief Executive	Nature of Interest	Long position/ short position	Number of ordinary shares	Approximate percentage of the issued share capital
Ms. Choy So Yuk	Personal interests	Long position	27,190	0.01%
Mr. Meng Fanpeng	Personal interests	Long position	48,000	0.01%

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests of Directors and Chief Executive" and "Share Options Scheme" in this report, at no time during the period under review, was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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SHARE OPTIONS SCHEME

The Company adopted the Share Option Scheme for the purpose of providing incentives to Participants (as defined in the Share Option Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

As at 1 January 2023 and 30 June 2023, there was no outstanding share option. During the period under review, no share options were granted, cancelled, lapsed or exercised.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and Chief Executive" above, as at 30 June 2023, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long and short positions in the shares/underlying shares of the Company

Name	Nature of interest	Long position/ Short position	Number of Shares/ underlying Shares	Approximate percentage of the total issued share capital of the Company
China Huarong Asset Management Co., Ltd.* (1) 中國華融資產管理股份有限公司	Interest of controlled corporation	Long position & Short position	170,372,822	26.55%
Huarong Huaqiao Asset Management Co., Ltd.* (1) 華融華僑資產管理股份有限公司	Interest of controlled corporation	Long position & Short position	170,372,822	26.55%
Cai Jianjun (2)	Interest of spouse & Interest of controlled corporation	Long position	171,372,822	26.70%
China Yangtze River Petrochemcial Group Limited (2)	Directly owned	Long position	170,372,822	26.55%
Choi Lai Kuen (3)	Directly owned & Interest of controlled corporation	Long position	53,908,150	8.39%
Yick Chuen Credit Limited (3)	Directly owned	Long position	53,831,770	8.38%

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Long and short positions in the shares/underlying shares of the Company

Name	Nature of interest	Long position/ Short position	Number of Shares/ underlying Shares	Approximate percentage of the total issued share capital of the Company
Tewoo Group Company Limited* (4) 天津物產集團有限公司	Interest of controlled corporation	Long position	43,822,412	6.83%
Tewoo Group (Hong Kong) Limited (4)	Interest of controlled corporation	Long position	43,822,412	6.83%
Tianjin Binhai Huanneng Development Co., Ltd.* (4) 天津濱海環能發展有限公司	Interest of controlled corporation	Long position	43,822,412	6.83%
Tianjin Rongxin Co., Ltd.* (4) 天津融信有限責任公司	Interest of controlled corporation	Long position	43,822,412	6.83%
Tewoo Import & Export Trading Co., Limited* (4) 天津物產進出口貿易有限公司	Interest of controlled corporation	Long position	43,822,412	6.83%
Tewoo Import & Export (HK) Limited (4)	Interest of controlled corporation	Long position	43,822,412	6.83%
Xinya Global Limited* (4) 新亞環球有限公司	Directly owned	Long position	43,822,412	6.83%
Mak Chi Yeung	Directly owned	Long position	36,000,000	5.61%

Notes:

(1) China Huarong Asset Management Co., Ltd. (stock code: 2799) beneficially holds the 170,372,822 Shares through its indirect non wholly-owned subsidiary, China Huarong Investment Management Limited, which is in turn wholly-owned by Pure Virtue Enterprises Limited, which is in turn wholly-owned by China Huarong Overseas Investment Holdings Co., Limited, which is in turn wholly-owned by Huarong Huaqiao Asset Management Co., Ltd., which is in turn owned 91% by Huarong Zhiyuan Investment & Management Co., Ltd., which is in turn wholly owned by China Huarong Asset Management Co., Ltd. Apart from China Huarong Investment Management Limited which has actual interests, all of the companies are deemed to have interest in the 170,372,822 Shares.

(2) China Yangtze River Petrochemical Group Limited is a grantor to a put option whereby it is under an obligation to purchase 170,372,822 Shares. China Yangtze River Petrochemical Group Limited also has a right of first refusal to these 170,372,822 Shares. Mr. Cai Jianjun (a) has interest in these 170,372,822 Shares through his directly wholly-owned company, China Yangtze River Petrochemical Group Limited; and (b) is deemed to have interest in 1,000,000 Shares which are held by his spouse, Ms. Yuan Jing. Ms. Yuan Jing is also deemed to have interest in the Shares held by China Yangtze River Petrochemical Group Limited by being the spouse of Mr. Cai Jianjun.

(3) Ms. Choi Lai Kuen (a) personally holds 76,380 Shares; and (b) beneficially holds 53,831,770 Shares through her wholly-owned subsidiary, Yick Chuen Credit Limited.

(4) Tewoo Group Company Limited beneficially holds 43,822,412 Shares through its indirect wholly-owned subsidiary, Xinya Global Limited, which is in turn wholly owned by Tewoo Import & Export (HK) Limited. which is in turn owned as to (a) 51% by Tewoo Group (Hong Kong) Limited and (b) 49% by Tewoo Import & Export Trading Co., Ltd. Tewoo Import & Export Trading Co., Ltd. is wholly owned by Tianjin Rongxin Co., Ltd., which is in turn wholly owned by Tianjin Binhai Huanneng Development Co., Ltd. Both Tewoo Group (Hong Kong) Limited and Tianjin Binhai Huanneng Development Co., Ltd. are direct wholly-owned subsidiaries of Tewoo Group Company Limited. Apart from Xinya Global Limited which has actual interests, all of these companies are deemed to have interest in the 43,822,412 Shares.

* The English transliteration of the Chinese names of these companies are for reference purposes only.

Save as disclosed above, the Directors are not aware of any other persons who, at 30 June 2023, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

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 applied the principles and has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023, except the following deviations:

Code Provision C.1.6

Under code provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Choy So Yuk, an independent non-executive Director and the chairman of the Nomination Committee and the Remuneration Committee had not attended the annual general meeting held on 7 June 2023 (the "2023 AGM") due to other commitments which must be attended to by her.

Code Provisions C.2.1 to C.2.9

Code provisions C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual; and code provision C.2.2 to C.2.9 set out the responsibilities of the chairman. During the period under review, no chairman of the Board (the "Chairman") has been appointed. 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 (save and except Ms. Choy So Yuk who had not attended the 2023 AGM as mentioned above) attended in person or by way of electronic means the 2023 AGM.

General Information

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 uphold 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 uphold 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 report, trading in the shares of the Company remain suspended pending fulfilment of the Resumption Guidance.

General Information

For further details, please refer to the announcements of the Company dated (1) 24 May 2022 in respect of (i) the Listing Review Committee's decision to uphold the decision of the Listing Committee to suspend the trading in the Company's shares and (ii) the suspension of trading in the shares of the Company with effect from 24 May 2022; (2) 7 June 2022 in relation to, among other things, the Resumption Guidance; (3) 1 June 2023 in respect of the appointment of restructuring adviser; (4) 23 August 2022, 23 November 2022, 23 February 2023, 23 May 2023 and 23 August 2023 regarding the quarterly updates on the progress of resumption.

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 2023.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (as chairman), Mr. Lam Tin Faat, Mr. Wu Zhao and Ms. Ang Mei Lee Mary. The interim report of the Group for the six months ended 30 June 2023 has not been audited or reviewed by the Company's auditors but has been reviewed by the Audit Committee.

On behalf of the Board
Cheung Ngai Lam
Executive Director

Hong Kong, 30 August 2023