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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "Board") of directors (the "Directors", each a "Director") announces the audited consolidated results of Silk Road Logistics Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 together with the comparative audited figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
REVENUE	*4*	**55,342**	7,449
Cost of sales and services		**(52,442)**	(2,078)
Gross profit		**2,900**	5,371
Other income and gains	*4*	**662**	268
Administrative expenses		**(32,244)**	(37,312)
Impairment of oil properties		**(33,000)**	–
Impairment of property, plant and equipment		**(38,184)**	–
Impairment of right-of-use assets		**(10,434)**	–
Impairment of prepayments, deposits and other receivables		**(15,935)**	(16,457)
Finance costs	*5*	**(51,101)**	(51,456)
LOSS BEFORE TAX	*6*	**(177,336)**	(99,586)
Income tax expense	*7*	**(64)**	–
LOSS FOR THE YEAR		**(177,400)**	(99,586)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(CONTINUED)*
For the year ended 31 December 2023

	Notes	**2023** **_HK$'000_**	2022 *HK$'000*
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(208)**	(19,567)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(177,608)**	(119,153)
Loss for the year attributable to:			
Owners of the Company		**(167,342)**	(94,519)
Non-controlling interests		**(10,058)**	(5,067)
Loss for the year		**(177,400)**	(99,586)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(165,734)**	(107,999)
Non-controlling interests		**(11,874)**	(11,154)
Total comprehensive income for the year		**(177,608)**	(119,153)

		2023 **_HK$_**	2022 *HK$*
LOSS PER SHARE	*8*		
– Basic		**(0.26)**	(0.15)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**96,673**	148,163
Right-of-use assets		**50,805**	65,124
Oil properties		**32,664**	65,842
Total non-current assets		**180,142**	279,129
CURRENT ASSETS			
Inventories		**5,416**	745
Trade receivables	*9*	**366**	170
Prepayments, deposits and other receivables		**26,441**	28,123
Income tax recoverable		**2,475**	3,976
Restricted bank deposits		**5,738**	–
Cash and cash equivalents		**14,876**	49,877
Total current assets		**55,312**	82,891
CURRENT LIABILITIES			
Trade payables	*10*	**21,519**	24,849
Other payables and accruals		**143,721**	103,179
Other borrowings		**534,868**	529,627
Promissory notes payable		**86,801**	77,501
Total current liabilities		**786,909**	735,156
NET CURRENT LIABILITIES		**(731,597)**	(652,265)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(551,455)**	(373,136)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ***(CONTINUED)***

As at 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**11,698**	12,273
Assets retirement obligations		**6,027**	5,757
Deferred tax liabilities		**14,078**	14,484
Total non-current liabilities		**31,803**	32,514
Net liabilities		**(583,258)**	(405,650)
EQUITY			
Share capital	*11*	**64,179**	64,179
Reserves		**(703,682)**	(537,948)
Equity attributable to owners of the Company		**(639,503)**	(473,769)
Non-controlling interests		**56,245**	68,119
Total equity		**(583,258)**	(405,650)

Notes:

1. GENERAL

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

Trading of the Company's shares on the Stock Exchange has been suspended since 24 May 2022 and has not resumed up to the date of this results announcement.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Notwithstanding that the current liabilities of the Group at 31 December 2023 exceed the Group's current assets at that date by HK$731,597,000, which includes the other borrowings and the promissory notes payable amounted to HK$534,868,000 and HK$86,801,000 respectively; the total liabilities of the Group at 31 December 2023 exceed the Group's total assets at that date by approximately HK$583,258,000; and that the Group incurred net loss amounted to HK$177,400,000 for the year ended 31 December 2023, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

(a) During the year under review, the Company announced the proposed scheme of arrangement ("Scheme") for the restructuring of its overall indebtedness position, under which:

   (i) the Scheme Fund, being partial net proceeds of approximately HK$10,000,000 from the proposed subscription of 146,820,480 new shares of the Company, will be transferred to and held by the Scheme Company A for distribution to the Scheme Creditors subject to adjudication;

(ii) the Company will allot and issue up to a maximum of 82,055,358 Creditors' Shares, credited as fully paid, for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme. The Creditors' Shares will be issued in the form of physical share certificates by the Company, in the name of the Scheme Creditors, and will be provided to the Scheme Administrators for distribution to the Scheme Creditors following to the adjudication;

(iii) upon the Scheme becoming effective, the Company will transfer the entire issued shares in City Joint, which in turn holds the Company's logistics business in Dongguan, its oil business in the United States and its investments in Inner Mongolia, to the Scheme Company B. After such transfer, the Excluded Subsidiaries will be indirectly held by the Scheme Company B with the result that the Scheme Company B will control the equity shares and assets of the Excluded Subsidiaries for the purpose of Realisation Proceeds;

(iv) the Scheme Creditors' Claims against the Company and any claim(s) they may have against the Company and/or its respective officers, directors, advisors and representatives in relation to their participation and role in the preparation of the scheme document will be discharged in full in return for a pro rata share of the funds that are to be made available for distribution to the Scheme Creditors under the Scheme, being the Scheme Consideration; and

(v) each Scheme Creditor with an Admitted Claim will be entitled to receive the Scheme Consideration

Details of the Scheme are set out in the announcement of the Company dated 7 November 2023. On 2 January 2024, the Scheme document containing, among others, details of the Scheme and Notice of the Scheme Meeting has been despatched to the Scheme Creditors. On 25 January 2024, the Scheme was approved by the requisite statutory majorities of the Scheme Creditors at the Scheme Meeting, in which over 50% in number of, and representing not less than 75% in value of the claims of, the creditors included in the Scheme Creditors voted in favour of the Scheme of Arrangement. On 8 February 2024, details of (i) the Proposed Capital Reorgainsation; (2) the Subscription; (3) the Scheme; (4) application for Whitewash Waiver; (5) the Special Deal; and (6) Notice of Special General Meeting (the "SGM") has been despatched to the Shareholders. On 1 March 2024, all the proposed resolutions in relation to, among others, the Capital Reorganisation, the Subscription and the Scheme have been duly passed by the Shareholders or the Independent Shareholders at the SGM.

(b) Management of the Group will closely monitor the financial position of the Group and the directors of the Company will make every effort to secure funds as necessary to finance the business operations of the Group for the foreseeable future.

In light of the measures and arrangements implemented to date, the Directors are of the view that in the event that the aforementioned Scheme is successfully implemented, the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Multiple material uncertainties regarding the Group's ability to operate as a going concern exist as to whether management of the Group will be able to achieve its plans and measures as described above. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their net realisable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Company operating in Hong Kong is obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered that the impact from the Amendment Ordinance on the Group's LSP liability is considered insignificant.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2023. These new and revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 Amendments will not result in reclassification of the Group's liabilities.

4. REVENUE, OTHER INCOME AND GAINS

Revenue

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

	2023	2022
	HK$'000	*HK$'000*
Revenue from:		
Sales of goods recognised at a point in time	**54,765**	1,897
Rendering of services recognised over time	**577**	5,552
	55,342	7,449

Other income and gains

An analysis of other income and gains is as follows:

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**59**	12
Gain on disposal of property, plant and equipment, net	**–**	70
Government grants receipt*	**–**	96
Sundry income	**603**	90
	662	268

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

5. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest expenses, net of reimbursement on borrowings, on:		
Other loans	**40,985**	42,274
Lease liabilities	**816**	878
Promissory notes payable	**9,300**	8,304
	51,101	51,456

6. LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold*	**49,288**	1,397
Auditors' remuneration		
Audit services	**820**	720
Non-audit services	**285**	100
	1,105	820
Directors' and chief executive's remuneration	**1,709**	1,772
Staff costs (excluding directors' and chief executive's remuneration)		
Salaries and allowances	**2,786**	6,359
Retirement benefit costs	**43**	297
Total staff costs	**4,538**	8,428
Depreciation of property, plant and equipment	**9,733**	10,214
Depreciation of right-of-use assets	**2,427**	2,491
Accretion expenses – oil properties	**274**	262
Amortisation of oil properties	**177**	103
Lease payments under short term leases	**874**	982
Foreign exchange losses, net	**147**	283

* Cost of inventories sold includes depreciation charges of property, plant and equipment amounted to approximately HK$1,311,000 (2022: HK$1,397,000) which is also included in the respective total amount disclosed separately above.

7. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Underprovision in previous year		
– The People's Republic of China ("PRC") corporate income tax	**64**	–

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Under the Corporate Income Tax Law of the PRC, the PRC corporate income tax is calculated at the rate of 25% (2022: 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% (2022: 21%).

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

8. LOSS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(167,342)**	(94,519)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**641,790**	641,790

Diluted loss per share for the years ended 31 December 2023 and 31 December 2022 is not presented as there is no potential ordinary shares in issue for each of these years.

9. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Gross trade receivables	**366**	170
Less: Impairment of trade receivables	**–**	–
Trade receivables, after impairment loss recognised	**366**	170

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

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

	2023	2022
	HK$'000	*HK$'000*
Not more than 30 days	**364**	109
31-60 days	**2**	61
	366	170

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

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**–**	99,569
Exchange realignment	**–**	(1,358)
Less: Eliminated on written off of receivables*	**–**	(98,211)
At 31 December	**–**	–

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

10. TRADE PAYABLES

	2023	2023
	HK$'000	*HK$'000*
Trade payables	**21,519**	24,849

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

	2023	2022
	HK$'000	*HK$'000*
Not more than 30 days	**590**	6
31-60 days	**–**	3
61-90 days	**–**	–
91-365 days	**–**	1,124
Over one year	**20,929**	23,716
	21,519	24,849

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

11. SHARE CAPITAL

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

12. CONTINGENT LIABILITIES

On 18 August 2023, the Company received the winding-up petition (the "Petition") presented by Wise Perfection Limited against the Company at The High Court of Hong Kong in relation to an indebted sum of approximately HK$65,600,000. The Company's deposits with the banks amounted to approximately HK$5,738,000 was freezed by the banks. The hearing for the Petition has now been adjourned to 15 April 2024. The respective outstanding principal and interests amounting to a total of HK$86,801,000 as at 31 December 2023 were recorded as promissory notes payable in the consolidated financial statements.

13. EVENTS AFTER THE REPORTING PERIOD

Restructuring Proposal

On 2 January 2024, the Scheme document containing, among others, details of the Scheme and Notice of the Scheme Meeting has been despatched to the Scheme Creditors. On 25 January 2024, the Scheme was approved by the requisite statutory majorities of the Scheme Creditors at the Scheme Meeting.

On 8 February 2024, the Circular containing, among others, details of (i) the Proposed Capital Reorgainsation; (2) the Subscription; (3) the Scheme; (4) application for Whitewash Waiver; (5) the Special Deal; and (6) Notice of Special General Meeting (the "SGM") has been despatched to the Shareholders. On 1 March 2024, all the proposed resolutions in relation to, among others, the Capital Reorganisation, the Subscription and the Scheme have been duly passed by the Shareholders or the Independent Shareholders at the SGM.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

CCTH CPA Limited, the independent auditor of the Company, expressed a disclaimer opinion on the Group's consolidated financial statements for the year ended 31 December 2023. The sections headed "Basis for Disclaimer of Opinion" set out below are extracted from the independent auditor's report.

DISCLAIMER OF AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

BASIS FOR DISCLAIMER OF OPINION

(a) Multiple uncertainties relating to going concern

As disclosed in note 2 to the consolidated financial statements, the net current liabilities and net liabilities of the Group at 31 December 2023 amounted to approximately HK$731,597,000 and HK$583,258,000 respectively, and the Group incurred net loss of approximately HK$177,400,000 for the year ended 31 December 2023.

The abovementioned conditions together with those set out in note 2 to the consolidated financial statements indicate the existence of material multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the Scheme of Arrangement and other various measures to be undertaken by the Group, details of which are set out in note 2 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion regarding the preparation of the consolidated financial statements on the going concern basis.

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

(b) Property, plant and equipment

The Group had property, plant and equipment with the carrying amount of approximately HK$96,673,000 as at 31 December 2023 and impairment loss on the property, plant and equipment amounted to approximately HK$38,184,000 was recognised in profit and loss of the Group in respect of the current year. We were unable to obtain sufficient appropriate audit evidence to assess that the basis and assumptions adopted for the estimation of the recoverable amounts of property plant and equipment are reasonable and appropriate, accordingly we are unable to satisfy ourselves that the amount of the impairment loss on the property, plant and equipment are properly recognised in the consolidated financial statements. Any adjustments to be made against the amount of impairment loss recognised might have a significant impact on the loss of the Group for the year ended 31 December 2023 and the carrying amount of the property, plant and equipment as at that date.

(c) Right-of-use assets

The Group had right-of-use assets with the carrying amount of approximately HK$50,805,000 as at 31 December 2023 and impairment loss on the right-of-use assets amounted to approximately HK$10,434,000 was recognised in profit and loss of the Group in respect of the current year. We were unable to obtain sufficient appropriate audit evidence to assess that the basis and assumptions adopted for the estimation of the recoverable amounts of right-of-use assets are reasonable and appropriate, accordingly we are unable to satisfy ourselves that the impairment loss on the right-of-use assets is properly recognised in the consolidated financial statements. Any adjustments to be made against the amount of impairment loss recognised might have a significant impact on the loss of the Group for the year ended 31 December 2023 and the carrying amount of the right-of-use assets as at that date.

(d) Oil Properties

The Group had oil properties with the carrying amount of approximately HK$32,664,000 as at 31 December 2023 and impairment loss on the oil properties amounted to approximately HK$33,000,000 was recognised in profit and loss of the Group in respect of the current year. We were unable to obtain sufficient appropriate audit evidence to assess that the basis and assumptions adopted for the estimation of the recoverable amounts of oil properties are reasonable and appropriate, accordingly we are unable to satisfy ourselves whether the amount of the impairment loss on the oil properties is properly recognised in the consolidated financial statements. Any adjustments to be made against the amount of impairment loss recognised might have a significant impact on the loss of the Group for the year ended 31 December 2023 and the carrying amount of the oil properties as at that date.

(e) Prepayments, deposits and other receivables

Included in the Group's prepayments, deposits and other receivables are the deposits paid to a non-controlling interest of a subsidiary for the purchase of goods with the carrying amount of approximately HK$24,749,000 as at 31 December 2023. We were unable to obtain sufficient appropriate audit evidence to assess that the basis and assumptions adopted for the estimation of the recoverable amounts of the deposits paid to the non-controlling interest of the subsidiary is reasonable and appropriate, accordingly we are unable to satisfy ourselves whether the amount of the impairment loss on the deposits paid is properly recognised in the consolidated financial statements. Any adjustments to be made against the amount of impairment loss recognised might have a significant impact on the loss of the Group for the year ended 31 December 2023 and the carrying amount of the prepayments, deposits and other receivables as at that date.

DETAILED PLAN TO ADDRESS THE DISCLAIMER OF OPINION

(a) Multiple uncertainties relating to going concern

In November 2023, the Company submitted a resumption plan to the Stock Exchange.

As part of its resumption plan and for providing relief to its indebtedness and sufficient funding for the continuing operations of the Group, the Company has proposed to carry out restructuring involving: (i) the Capital Re-organization; (ii) the Subscription; and (iii) the Scheme.

(i) the Capital Re-organization

The Capital re-organization comprises of share consolidation, Capital reduction, share sub-division and share premium cancellation. The capital reduction will result in a credit of HK$63,537,223 which may be used to offset the accumulated losses. The share premium cancellation will also result in a credit which may be used to offset the accumulated losses, amounting to HK$1,498,954,000. The share consolidation and share sub-division provide more flexibility on fund raising, in particular, the issues of new shares under the Subscription.

(ii) the Subscription

Under the Subscription, the Company will allot and issue 146,820,480 shares for a total subscription price of HK$50,000,000. The balance of the net proceeds after transfer to Scheme fund of approximately HK$10,000,000 will be available for the Company's business.

(iii) the Scheme

The scheme involves (i) to transfer Scheme fund of approximately HK$10,000,000, being partial net proceeds of the Subscription for distribution to the Scheme creditors; (ii) allot and issue to a maxi of 82,055,358 Creditors shares for distribution to the Scheme creditor; (iii) transfer the entire issued shares of City Joint to a special purpose vehicle for the purposes of Realization proceed; and (iv) the Scheme Creditors' claims against the company be discharged in full in return for a pro rata share of the funds that are to be made available for distribution to the Scheme Creditors.

On 25 January 2024, the Scheme was approved by the requisite statutory majorities of the Scheme Creditors at the Scheme Meeting. The hearing for sanctioning the Scheme adjourned to 12 April 2024 having considered the review hearing of the Delisting Decision was fixed on 22 March 2024.

On 27 February 2024, the Executive has granted conditional Whitewash Waiver and conditionally consented to the Special Deal. On 1 March 2024, all the proposed resolutions in relation to, among others, the Capital Reorganisation, the Subscription and the Scheme have been duly passed by the Shareholders or the Independent Shareholders (as the case may be) at the special general meeting (the "SGM").

On condition that the Sanction was granted by the court, the Scheme Creditors' Claims against the Company and any claim(s) they may have against the Company and/or its respective officers, directors, advisors and representatives in relation to their participation and role in the preparation of the Scheme document will be discharged in full and that the Company will then be in net assets position and will be able to continue as a going concern.

Should the company able to continue as a going concern as mentioned above:

(b) Property, plant and equipment and Right-of-use assets

The property, plant and equipments represent the warehouses, fixtures and equipment used in the logistic business located in the PRC while The right-of-use assets represent the land-use-right of the same subsidiary. After the completion of the Subscription and the Scheme, funding will be available to the Group to improve the condition of the warehouse and upgrade the facilities of the logistic business. The company expects to record positive cashflow in 2024 which can support the valuation of the property, plant and equipment as well as the right-of-use assets.

(c) Oil properties

The oil properties will become part of Scheme assets which will no longer be part of the Group's assets.

(d) Prepayments, deposits and other receivables

The major component of prepayment, deposit and other receivables is a deposits paid to the non-controlling interest of a subsidiary for the business purpose. With the logistic business to continue as going concern as mentioned in (b), the minority shareholders' stake on the non-current assets would be able to recover the deposits paid for the impairment assessment.

The auditor's concern is on the net current liabilities and net liabilities of the Group at 31 December 2023. Dependent on the successful resumption of the listing status and the Scheme. The Company expects that the Company's liquidity, cashflow and financial position will improve significantly for the year ending 31 December 2024.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2023, the Group recorded revenue from operations of approximately HK$55,342,000 (2022: approximately HK$7,449,000), representing an increase of approximately 643% from prior year. The Group's gross profit of the operations drop to approximately HK$2,900,000 for the year ended 31 December 2023 from approximately HK$5,371,000 recorded in 2022, with the gross profit margin at 5.2% (2022: 72.1%) in this year. The gross profit margin decreases significantly because the logistic and warehousing businesses become a dominant portion of revenue in this year. The Company recorded a loss attributable to the owners of the Company from the operations for the year ended 31 December 2023 to approximately HK$167,342,000 from that of about HK$94,519,000 recorded in the preceding year.

The finance costs for the year ended 31 December 2023 and 2022 were mainly contributed by an unsecured other borrowings and the promissory note. A major portion of the unsecured other borrowings, which previously known as the convertible bonds with the principal amount of HK$300,000,000, reclassified upon the expiration of the maturity period of the bonds, incurred interest rate of 11% per annum, and the aggregate outstanding balance of the bonds together with interest thereon amounted to HK$531,408,000 (2022: HK$489,098,000). The promissory note was issued by the Company in December 2014 to an independent third party, as part of the consideration for the acquisition of 100% equity interest in a subsidiary, Earning Power Inc.. Its aggregated outstanding balance together with the interest (interest rate at 12% per annum) was amounted to HK$86,801,000 (2022: HK$77,501,000).

In this year, the Group was resulted in the position of the net liabilities amounted to HK$583,758,000. It was reduced by HK$177,608,000 from the previous year of a net liabilities, amounted to HK$405,650,000. The reduction was mainly due to the finance costs, operating costs and an impairment over the property, plant and equipment, right-of-use assets, prepayment, deposits and other receivables and oil properties in this year.

BUSINESS REVIEW

With Covid-19 becoming less of a threat to people's daily life and business in the year of 2023, the Group has gradually and eventually managed to bring its operation and performance back on track. Ever since the trading in its shares was suspended in May 2022 by the Stock Exchange for the alleged failure to maintain sufficient levels of operations and assets, the Group has been actively seeking ways to restructure its debts and liabilities and to stay eager to explore and pursue various business opportunities by seriously engaging with professional advisors as well as potential business partners. This was intensified in the reporting period as travel restrictions became eased in China and elsewhere.

The commodities market is never short of volatility and the year of 2023 made no exception. The outbreak of the Ukrainian war severely disrupted production and trade of certain commodities, and thereby seriously pushed up market price as a whole. Throughout the reporting period, it remained constantly fluctuating at the higher end of the spectrum. In light of this and the limited resources and funds in hand, the Group adopted a cautious and yet sensible approach in revitalizing its position as well as fulfilling the requirements of the Resumption Guidance by placing more weights on while finetuning two lines of its pre-existing business, ie. commodities trading and warehousing.

On the one hand, the Group continued its commodities trading business, but extended further downstream by shifting focus on processing and sales of iron ore products. Instead of selling products on a typically back-to-back basis, the Group would now procure raw materials first, then process and upgrade the materials through mainly beneficiating, screening or blending, and finally sell the end products to steel mills or trading companies. In doing so, it would start with identifying the exact specifications as pursued by the end users, followed by enabling a tailor-made processing and logistics solution for the end buyers, while securing the supply of raw materials in the shortest possible timeframe. This processing approach has not only added substantial value to the market but also stood the Group in a highly price insensitive position relatively unexposed to the fluctuations of the market over time.

On the other hand, the warehousing business was mainly carried out by the Group's subsidiary, Silk Road (Qian'an) Company Limited ("Qian'an Logistics"), established as a regional logistics centre for commodities. The Group is highly regarded regionally for its well-built infrastructure and management expertise. Soon after travel became less restrictive and logistics business began to resume on a fuller scale, the Group took a hands-on approach in enhancing the performance of its warehousing arm. Internally great efforts were made to streamline organizational structure, increase management efficiency and beef up governance standard. Externally it reconnected with a variety of market players in the region including potential customers, service contractors, and the local government, prudently feeling the pulse of the market in the post-Covid era. As a payback for these efforts, warehousing business volume appreciated significantly in the second half of the reporting period.

In addition, to substantially reduce indebtedness and restore to a healthy financial position, the Group worked very closely with professional advisors in producing a reasonable and sound debt restructuring plan, which has been approved by the creditors. Equally important, the Group has also lined up an investor who will subscribe newly issued shares to fund the plan and its development upon trading resumption. Apparently, the Group has made considerable progress in conducting and achieving viable and sustainable businesses of substance, and, the Group believes that it has demonstrated sufficient levels of operations for the purpose of complying with the Resumption Guidance.

TRADING SUSPENSION AND RESUMPTION GUIDANCE

References are made 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, 23 August 2023, 28 November 2023 and 1 March 2024 regarding the quarterly updates on the progress of resumption; and (5) 18 December 2023 in respect of the Delisting Decision.

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 will be suspended (the "Decision"). The Company submitted a written request to the Stock Exchange 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 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. 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 expired on 23 November 2023.

In November 2023, the Company submitted a resumption plan (the "Resumption Plan") to the Stock Exchange to explain how the Company can comply with the Resumption Guidance and made a supplemental submission to the Resumption Plan to the Stock Exchange and substantiated the viability and sustainability of the core business segment of the Group, its sufficient level of operations with tangible assets of sufficient value and intangible assets that are in compliance with Rule 13.24 of the Listing Rules which warrants the continued listing of the Shares on the Stock Exchange.

On 15 December 2023, the Company received a letter from the Stock Exchange stating that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "Delisting Decision"). The Company requested the Delisting Decision be referred to the Listing Review Committee for review ("LRC Review") and the LRC Review was held on 22 March 2024. The Company has not yet received the results of the LRC Review at the date of this announcement.

WINDING UP PETITION OF THE COMPANY

References are made to the announcements of the Company dated 21 August 2023, 1 November 2023, 13 December 2023, 8 February 2024 and 19 February 2024.

On 18 August 2023, the Company received a winding-up petition (the "Petition") against the Company filed by Wise Perfection Limited at the High Court of the Hong Kong Special Administrative Region in relation to an indebted sum of approximately HK$65.6 million. The hearing for the Petition has now been adjourned to 15 April 2024.

RESTRUCTURING PROPOSAL

References are made to the announcements of the Company dated 7 November 2023, 28 December 2023, 25 January 2024 and 1 March 2024 and the circular of the Company dated 8 February 2024.

As part of its resumption plan and for providing relief to its indebtedness and sufficient funding for the continuing operations of the Group, the Company has proposed to carry out restructuring involving: (i) the Capital Re-organization; (ii) the Subscription; and (iii) the Scheme.

Capital Reorganisation

The Board proposed to reorganise the share capital of the Company in the following manner:

(a) Share Consolidation: every ten issued and unissued Existing Shares of par value of HK$0.1 will be consolidated into one Consolidated Share of par value of HK$1.00;

(b) Capital Reduction: immediately after the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK$1.00 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$0.99 on each issued Consolidated Share. The credit arising from the Capital Reduction of approximately HK$63,537,223 will be credited to the Contributed Surplus Account for use by the Directors in any manner as permitted by applicable laws and the Bye-laws of the Company (the "Bye-Laws");

(c) Share Sub-division: immediately following the Capital Reduction, each of the authorised but unissued Consolidated Share of par value of HK$1.00 each will be sub-divided into one hundred New Shares of par value of HK$0.01 each; and

(d) Share Premium Cancellation: the entire amounts standing to the credit of the share premium account of the Company will be cancelled to nil with the credit arising therefrom to be transferred to the Contributed Surplus Account and to authorise the Board to apply such amount in such manner as permitted under applicable laws and the Bye-laws.

Capital Reorganisation can provide for more flexibility on fundraising (including the issue of new Shares under the Subscription Agreement (as defined below), the Scheme and in the future).

Subscription of New Shares

On 9 October 2023, the Company entered into the subscription agreement (the "Subscription Agreement")with Yick Chuen Credit Limited (the "Subscriber"). Pursuant to the terms of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 146,820,480 New Shares at the total Subscription Price of HK$50,000,000, representing approximately HK$0.341 per Subscription Share to the Subscriber. The Subscription Shares representing approximately 50.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares in full. The Subscription is subject to various conditions, including, among others, the Capital Reorganisation having become effective, the Independent Shareholders' approval and the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "Executive") having granted the Whitewash Waiver (waiver on the obligations on the part of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company, except those already owned or agreed to be acquired by the Subscriber, which would otherwise arise as a result of the completion of the Subscription and consent to the Special Deal (the repayment to certain Scheme Creditors who are Shareholders under the Scheme).

Scheme of Arrangement

In June 2023, the Company has appointed Ernst & Young Transactions Limited as the restructuring adviser for implementing financial restructuring of its liabilities by way of the Scheme (the "Scheme") in the following manner:

(a) the Scheme Fund, being partial net proceeds from the Subscription of approximately HK$10 million, will be transferred to and held by a special purpose vehicle company for distribution to the Scheme Creditors subject to adjudication;

(b) the Company will allot and issue up to a maximum of 82,055,358 Creditors' Shares, credited as fully paid, for settlement of the debts of the Scheme Creditors in accordance with the terms of the Scheme. The Creditors' Shares will be issued in the form of physical share certificates by the Company, in the name of the Scheme Creditors, and will be provided to the scheme administrators of the Scheme for distribution to the Scheme Creditors following the adjudication;

(c) upon the Scheme becoming effective, the Company will transfer the entire issued shares in City Joint Investments Limited ("City Joint"), which in turn holds the Company's logistics business in Dongguan, its oil business in the United States and its investments in Inner Mongolia, to a special purpose vehicle company. After such transfer, City Joint and its subsidiaries (the "Excluded Subsidiaries") will be indirectly held by the special purpose vehicle company with the result that the special purpose vehicle company will control the equity shares and assets of the Excluded Subsidiaries for the purpose of Realisation Proceeds;

(d) the Scheme Creditors' Claims against the Company and any claim(s) they may have against the Company and/or its respective officers, directors, advisors and representatives in relation to their participation and role in the preparation of the Scheme document will be discharged in full in return for a pro rata share of the funds that are to be made available for distribution to the Scheme Creditors under the Scheme, being the Scheme Consideration; and

(e) each Scheme Creditor with an Admitted Claim will be entitled to receive the Scheme Consideration.

The Scheme is subject to various conditions, including, among others, the Subscription having become unconditional and the Independent Shareholders' approval.

On 25 January 2024, the Scheme was approved by the requisite statutory majorities of the Scheme Creditors at the Scheme Meeting.

On 27 February 2024, the Executive has granted conditional Whitewash Waiver and conditionally consented to the Special Deal.

On 1 March 2024, all the proposed resolutions in relation to, among others, the Capital Reorganisation, the Subscription and the Scheme have been duly passed by the Shareholders or the Independent Shareholders (as the case may be) at the special general meeting (the "SGM").

The hearing for sanctioning the Scheme was adjourned to 12 April 2024 having considered the review hearing of the Delisting Decision was fixed on 22 March 2024.

Given the approval of the proposed restructuring plan at the SGM, the grant of the Whitewash Waiver and consent to the Special Deal by the Executive, the approval of the Scheme by the Scheme Creditors at the Scheme Meeting and the recent orders and agreements secured for the Group's business, the Board believes that the business operations and financial positions of the Group will be significantly improved to facilitate its fulfilment with the Resumption Guidance. Upon Resumption, if so approved by the Stock Exchange, and completion of the Subscription, the Group will be able to implement its restructuring plan and continue and expand its current operation. All the claims against the Company by the creditors will be discharged and compromised in full, the financial position of the Group (without the Excluded Subsidiaries) will be substantially improved.

ARBITRATION

The hearing for the arbitration proceedings in relation to acquisition (the "Acquisition") of 23.396% equity interest (the "Sale Equity Interest") by the Group in Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company ("Eurasian Continent Bridge") was conducted on 28 April 2023. In December 2023, the Group received an arbitral award issued by the Beijing Arbitration Commission. The Beijing Arbitration Commission held that the agreement for the Acquisition was rescinded and the transferor to the Acquisition agreement be liable to compensate Boshu (Shanghai) Trading Company Limited for its loss of RMB8,910,800, being the amount of registered capital of Eurasian Continent Bridge corresponding to the Sale Equity Interest deducted by the consideration of RMB1,000,000. The arbitral award is final. Please refer to the announcements of the Company dated 19 April 2022, 11 October 2022, 27 March 2023 and 28 December 2023 for details.

OUTLOOK

The work done by the Group in the reporting period and the previous years has built a solid foundation for its future development. Among other things, the Group's cash and cash equivalents will provide sufficient working capital to meet its needs for at least the next 12 months. Both the commodities trading and warehousing business keep generating revenues every month for the first three months of 2024. In particular, sales contracts totalling around 170,000 tons of iron ore products were signed during this period. The current net liabilities position will be turned into net assets values upon successful completion of the debt restructuring plan. The net proceeds to be generated from the Subscription and a revolving facility of up to HK$100 million to be provided by the Subscriber upon trading resumption will no doubt give impetus to the Group's commodities trading and warehousing businesses, which is expected to further uplift the financial performance of the Group in the financial year of 2024.

In November 2023, the Group entered into an agreement with Cockatoo Island Mining Pty Ltd. ("CIM") in relation to primarily the sale and purchase of iron ore products. CIM is the owner of a variety of mining and related rights to tenements on Cockatoo Island and Irvine Island in West Australia. The Cockatoo Island project is widely renowned for producing high-grade iron ore and is set to resume production later this year. Conditional upon, among other things, trading resumption and a prepayment of HK$20 million, CIM will supply the Group with a total of 430,000 tons of high-grade direct shipping ore in ten shipments with 3% discount below the prevailing market rate. This agreement will enable the Group to access high-quality resources first-hand from a mine owner. Additionally, the two parties will also cooperate to explore avenues of processing and marketing the Island's low-grade tailings, which will likely ensure a strong and steady supply channel for the Group's commodities trading business.

In turn, the iron ore pipeline the Group will secure out of the collaboration with CIM will empower it with higher bargaining power in the industry, potentially attract other major players to establish business relationships and provide favourable commercial terms to the Group. Meanwhile, it will enable the Group to diversify into the upstream market as principal distributor with options and flexibility to market direct shipping ore to sub-distributors or steel mills, to sell low-grade tailings to processing plants or trading companies, or to process tailings itself and sell to end users.

The Group has developed three methods for processing raw materials including beneficiating, screening and blending available to choose from for precisely meeting the buyers' specific requirements. So far, the Group has largely focused on providing the processing solution without setting up a processing facility itself. The Group is well aware of that and has engaged serious discussions on site selection and cooperation mode with a number of relevant parties. Hopefully as the collaboration with CIM is crystallized and the financial performance is improved this year, the Group will be able to launch its own processing plant.

The Group is planning to expand Qian'An Logistics' services to cover land transportation including loading services and provision of 24-hour online surveillance system accessible by customers in addition to its warehousing operation. It is expected to serve as a bridge in the supply chain and provide a large-scale comprehensive trading network integrating procurement, warehousing, transportation, processing, sales, information exchange and financial services in the region.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2023, the Group had total other borrowings in the amount of approximately HK$534,868,000 (31 December 2022: HK$529,627,000), representing an increase of HK$5,241,000. The Group's other borrowings amounted to HK$534,868,000 are repayable within one year, while no balance is repayable for more than one year.

The Group's total other borrowings are all denominated in HK$ and is charged at fixed rate. The Group's cash and bank balances of approximately HK$20,614,000 were 21% denominated in RMB and 79% in HK$.

As at 31 December 2022 and continued in 2023, a major portion of the other borrowings (previously regarded as the convertible bonds) with the aggregate principal amount of HK$300,000,000 was matured and become an other borrowing as it is not redeemed at maturity date. Combining the unsettled interests, the total amount of other borrowings was HK$531,408,000 (2022: HK$489,098,000). It is denominated in HK$ and bear interest at fixed interest rate of 11% per annum.

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was approximately 30 (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, and/or to enable the Group to recruit high-calibre employees the Group has adopted a share option scheme in June 2017. As at 31 December 2023 and 31 December 2022, there were no outstanding share options granted under the new scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2023, no property (2022: Nil) is pledged as securities for the Group's banking facilities.

GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group (being the ratio of net debt divided by total capital) was approximately 937% (2022: approximately 668%). Net debt represents the aggregate amount of the Group's interest-bearing bank and other borrowings, the liability component of convertible bonds, the non-current portion of the amount loans due to related parties and promissory note less cash and cash equivalents of the Group. Total capital represents total equity attributable to the owners of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

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

CONTINGENT LIABILITIES

Detail of the contingent liabilities of the Group during the reporting year are set out in note 12 of the consolidated financial statements.

CAPITAL COMMITMENT

There was no material capital commitment as at 31 December 2023 (2022: nil).

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of event after the reporting period are set out in note 13 of the consolidated financial statement.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code set out in Part 2 of Appendix C1 ("CG Code") to the Listing Rules, save and except the followings:

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, the then independent non-executive Director and the then 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 provisions C.2.2 to C.2.9 set out the responsibilities of the chairman, including that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors. During the year under review, no chairman of the Board (the "Chairman") has been appointed. 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 year under review. Given all Directors are collectively responsible for the Company's stewardship, an executive Director acted as the chairman of the 2023 AGM and all other Directors (save and except Ms. Choy So Yuk, the then independent non-executive Director, had not attended the 2023 AGM as mentioned above) attended in person or by way of electronic means the 2023 AGM.

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 C3 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chu Kin Wang Peleus (the chairman), Mr. Wu Zhao and Ms. Ang Mei Lee Mary. The Audit Committee has reviewed with the management and the Group's auditors the annual results of the Group for the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.silkroadlogistic.com.hk). The annual report of the Company will be despatched to the Shareholders of the Company and available on the above website in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 24 May 2022. Pending the results of the LRC Review on the fulfilment of the Resumption Guidance, trading in the shares of the Company on the Stock Exchange will remain suspended until further notice.

APPRECIATION

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

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cheung Ngai Lam, Mr. Chung Wai Man and Mr. Lam Tin Faat; one non-executive Director, namely Mr. Ouyang Nong; and three independent non-executive Directors, namely Mr. Wu Zhao, Ms. Ang Mei Lee Mary, and Mr. Chu Kin Wang Peleus.