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

2022

ANNUAL REPORT
年報

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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*
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
Ms. Ang Mei Lee Mary

CHIEF EXECUTIVE OFFICER
Mr. Meng Fanpeng

AUDIT COMMITTEE
Mr. Chen Wai Chung Edmund *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Wu Zhao
Ms. Ang Mei Lee Mary

REMUNERATION COMMITTEE
Ms. Choy So Yuk, *BBS, JP (Chairman)*
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
Ms. Ang Mei Lee Mary

NOMINATION COMMITTEE
Ms. Choy So Yuk, *BBS, JP (Chairman)*
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
Ms. Ang Mei Lee Mary
Mr. Cheung Ngai Lam

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

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

Statement from the Board

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

Over year 2022, the COVID outbreak entered the endemic stage in most parts of the world: the virus is widespread but significantly less fatal than it was two years ago. Governments have relaxed COVID-related restrictions on passenger and cargo flows, restoring life and business back to normalcy. Although the Western economies are hit by turbulent shocks – highest inflation in decades and tightening financial conditions – which cast uncertainties over the post-pandemic trajectory, Asian emerging economies are expected to stay closer to their long-term growth potential. Overall, the market sentiment is characterized by cautious optimism. During the report year, the Group has benefited from the relaxation of control measures, with our business units identifying potential business development opportunities toward the goal of share trading resumption. In the medium to long run, the continual growth of the infrastructure sector and the rise of green technology will fuel the demand of raw materials. The Group is poised to ride on this trend with our integrated trading, warehouse and logistics business model.

OUTLOOK

The world faces the weakest growth profile since the turn of the century except for the global financial crisis and the onset of the COVID-19 pandemic. The inflation pressure exerted by the COVID-related supply chain disruptions and the Russo-Ukraine war has materialized into a cost-of-living crisis in certain European countries; and the pain is felt around the world to varying degrees. On top of that, the second-order impact of the inflation wave take the form of policy risks underlying the financial system. The hawkish stance of central banks in the advanced economies might lead to rate actions which are too restrictive. The tightened financing conditions and the policy-induced appreciation of the US dollar may not only dampen the global economic prospect, but also raise the risk of debt distress in emerging economies.

If the authorities pull off a successful calibration of monetary and fiscal policies, the economic outlook can return to positive based on the healthy or improved fundamentals, notably in the two largest economies. In the US, reassurance comes from the buoyant job market, despite the headline news of job cuts by tech companies following years of aggressive staff expansion. As a result, consumer spending could allow the US economy to glide into a soft landing. In China, the central government has entered a new phase of COVID control with a 10-point plan to reopen the country both internally and externally, reigniting the world's most important growth engine. Therefore, an uninterrupted global economic recovery out of COVID is still in sight in the medium term.

Statement from the Board

China's growth prospect has been strengthened by an amalgam of proactive fiscal measures and a supportive monetary stance. Economic development has been affirmed as the priority by the annual Central Economic Work Conference held in December 2022. It is important to note the alignment of the long-term and short-term measures in China's macroeconomic management. First, the pivot to consumer spending can help rebalance of the Chinese economy, putting consumption on an equal footing as investment. In the near term, a boost in consumption could also serve as a cushion to a possible slowdown of exports amid a weaker external environment. This will be catalyzed by government incentives in the form of consumer vouchers and tax exemptions, which will boost spending on recreation, tourism, and new-energy vehicles. Second, China is perfecting its regulatory approach to industrial development. The aim is to set up vibrant and yet risk-controlled markets for driving innovation and efficient allocation of capital and talent. After the principles of orderly expansion of capital and financial stability have been firmly established, the authorities have moved on to foster growth on the newly forged foundation. The platform economy is thus recognized as a new engine for leading growth, creating jobs and international expansion. On the other hand, the property sector is reaffirmed as an economic pillar to be supported by stronger demand-side incentives such as mortgage rate cuts, tax concessions on property transactions and lowered down payment requirements. The growth focus will underpin a positive outlook for the Chinese economy.

Last but not least, China will continue to provide support and subsidies to select sectors, which have risen in prominence on the world stage. This industry policy will accelerate the development and application in the following areas: artificial intelligence, quantum computing, renewable energy, low-carbon emitting technologies and biotechnological production. Since sustainable and high-quality economic growth will depend on these technological advances, China will invest significantly to boost domestic innovation and industry upgrade, propelling the country's ascent to the global technology frontier.

BUSINESS STRATEGIES

Inspired by China's Bridge and Road Initiative (BRI) over the past few years, the Group has built out an integrated trading, warehouse and logistics network to tap into the regional economic integration. Numerous business opportunities have arisen from the stream of infrastructure projects which are undertaken to enhance connectivity between the participating countries. The cross-border cooperation has produced tangible economic results – Asian economies do not only enjoy growth but also shore up their respective positions in global value chains.

We can see that globalization is still forging ahead, guided and championed by national governments for national strengths and livelihood of the people. From this wide perspective, various global and regional initiatives have been formed to expand the global flows of all economic factors ranging from goods, services, capital, people, data to ideas. Private corporations can prosper by following the flows and contributing to the cause.

Now China is proposing a vision for greater regional cooperation and a new path for modernization under the banner of Global Development Initiative (GDI). A simple way to understand it is to think that BRI delivers hardware and trade corridors while GDI focuses on the "software" side of economic development – knowledge transfer and capacity building. In this light, these two initiatives complement each other organically. BRI is more market oriented whereas GDI is more public oriented in terms of implementation channel. As such, the roadmap laid out by China will continue to gain momentum and bring prosperity to emerging countries, with further benefits to the business development of the Group.

Statement from the Board

While international flows have proved remarkably resilient during the recent turbulent period, some inevitable adjustments in the private sector have emerged within this big picture. For instance, a number of multinational companies have chosen to shorten part of their supply chains. In some cases, such decisions are determined by the business requirement of higher resilience in sourcing and better responsiveness to demand situations. In other cases, fundamental factors are at work. The relocation of manufactured goods value chains can be caused by increasing automation, wage trends, and the rise of new service hubs. We are vigilant to these market movements as we navigate post-COVID business landscape.

More importantly, the need to manage operational risks from possible global shocks has deepened the interaction and mutual reliance between market players. Multinational corporations have sought to forge systemic resilience through both public-private and private-private partnerships that enable operations to become more pliable than if companies were to act on their own. The formation of these interconnecting networks among reputable entities with strong credentials is a trend which the Group is well qualified for and is keen to harness.

In the years to come, the market dynamics will be shaped by transition to a green economy. The process will demand vast quantities of raw materials from the natural resources and mining sector due to the new infrastructure required for adopting renewable and clean energy. This resource intensive development will a long-term upside for various kinds of commodities. For instance, the expansion of metals related companies is expected to accelerate further. Even so, supply growth, which is constrained by long lead-time in planning and construction, is unlikely to match the robust demand growth. This demand-driven shortage will act as a stimulus for innovations in the form of both technological breakthrough and materials substitution. All in all, the above means that the upward trend in the commodity markets will be long lasting and broad-based, which is a thrilling market environment.

The promotion of regional cooperation and low-carbon economy will open up ample opportunities for the Group to build out our business portfolio. Against this background, our existing trading and logistics platform will be the keystone for the next stage of corporate development. Our trading and logistics division is well developed in both the hardware and software aspects. The seasoned colleagues at the headquarters and other parts of Asia have formed a well-connected network with potential partners for brewing and implementing project ideas, keeping abreast of the market conditions. In devising our products and plans, we will focus on asset-light projects making use of our strategically positioned facilities in China. The Group has set our eyes on fulfilling the promise of regional economic integration and creating solutions to our clients in need of premium commodity supply.

In conclusion, China and other Asian countries will enter a new economic stage under the themes of sustainable development and green transformation. This enormous vision entails tighter cooperation among governments and enterprises to tackle the scale and complexity of the challenges ahead. The flourishing investment environment will allow the Group to expand our footprint by deepening our synergies with existing and new partners. Our standing as a commodity and logistics enterprise will thus be reinforced the public sector initiatives and regional economic dynamics. We are confident of continuing our excellence journey with our streamlined operations and improved organizational flexibility, which will be paramount to diversifying our product composition and geographical reach while managing operating costs and risks. When business proposals come forward, the Group will carry out project evaluation by our usual prudent approach for the best interest of our shareholders amid geopolitical tensions and market fluctuations.

Statement from the Board

APPRECIATION

I would like to extend my wholehearted appreciation to my colleagues for their dedication toward success and meeting targets. I am very grateful to all our investors and partners for their goodwill and strategic cooperation. Our goal is clear and concrete; and we are turning challenges into opportunities with our wit and might. I am confident that Silk Road will stand tall as a contributing force to national and regional economic ascent.

Cheung Ngai Lam
Executive Director

Hong Kong, 28 March 2023

Management Discussion and Analysis

FINANCIAL RESULTS

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

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

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

BUSINESS REVIEW

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

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

Management Discussion and Analysis

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

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

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

OUTLOOK

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

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

Management Discussion and Analysis

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

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

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

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

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

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

Management Discussion and Analysis

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

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

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2022, the Group had total other borrowings in the amount of approximately HK$529,627,000 (31 December 2021: HK$488,494,000), representing an increase of HK$41,133,000. The Group's other borrowings amounted to HK$529,627,000 are repayable within one year, while the balances are repayable for more than one year.

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

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

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

EMPLOYEES

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

CHARGE OF GROUP ASSETS

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

GEARING RATIO

As at 31 December 2022, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 668% (2021: approximately 291.7%). Net debt represents the aggregate amount of the Group's interest-bearing bank and other borrowings, the 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.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

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

CONTINGENT LIABILITIES

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

(b) Pursuant to the civil complaint dated 22 November 2019 (the "Haotai Civil Complaint"), filed by 天津浩泰恒遠國際貿易有限公司 (transliterated in English as Tianjin Haotai Hengyuan International Trading Company Limited) (the "Haotai") as plaintiff with Tianjin No. 1 Intermediate People's Court, Haotai claimed against Qian'an Logistics for (i) repaying the aggregate amount of RMB68,370,454.42, 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. The amount of RMB68,370,454.42 claimed by Haotai is included in accounts payables and other payables as at 30 June 2020. On 4 January 2021, the Group received a judgment from Tianjin No. 1 Intermediate People's Court pursuant to which the court approved the withdrawal application filed by Haotai in relation to its civil complaint against Qian'an Logistics, i.e. the Haotai Civil Complaint and the legal costs of the court should be borne by Haotai. The amount of RMB68,370,454 ("the Payable") claimed by Haotai has been included in trade payables as at 31 December 2021. On 8 July 2022, Qian'an Logistics, Haotai and 天津匯天嘉成供應鏈管理有限公司 (transliterated in English as Tinjian Huitian Jiacheng Gongyinglian Management Co. Ltd. ("Huitian Jiacheng"), which owed Qian'an Logistics by RMB77,562,329, entered into a settlement agreement (the "Settlement Agreement") pursuant to which: (i) Haotai has assigned part of the Payable in the sum of RMB53,580,973 to Huitian Jiacheng (the "Assigned Loan") with the balance of the Payable in the sum of RMB14,789,481 (the "Residue Loan") be repaid by Huitian Jiacheng to Haotai; (ii) the Assigned Loan and the Residue Loan would be offset with the claim amount due by Huitian Jiacheng to Qian'an Logistics; (iii) Huitian Jiacheng will repay the balance of the claim amount (after offset the Assigned Loan and the Residue Loan) (the "Balance") to Qian'an Logistics. After Qian'an Logistics withdraw the claim against Huitian Jiacheng from the Tianjin No.1 Intermediate People's Court, Huitian Jiacheng will fully settle the Balance. As at the reporting date, Qian'an Logistics received approximately RMB9,200,000, thus the Balance has been fully settled.

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

CAPITAL COMMITMENT

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

EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

UPDATE ON LISTING STATUS

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

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

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

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

Management Discussion and Analysis

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.

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

Biography of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Cheung Ngai Lam ("Mr. Cheung"), aged 54, was appointed as an executive Director on 4 June, 2021. He is also a member of the executive committee (the "Executive Committee") and the nomination committee of the Company. He is a member of the American Institute of Certified Public Accountants and is a Certified Practicing Accountant of Australia. Mr. Cheung obtained a bachelor's degree in social science from the University of Hong Kong in 1991, a master's degree in accounting from the Curtin University of Technology (currently known as Curtin University, Australia) in 1997 and a master's degree in science from the Hong Kong University of Science and Technology in 2002.

Mr. Cheung currently serves as an independent non-executive director of New Provenance Everlasting Holdings Limited (listed on the Stock Exchange, stock code: 2326), Boyaa Interactive International Limited (listed on the Stock Exchange, stock code: 434) and China Development Bank International Investment Limited (listed on the Stock Exchange, stock code 1062).

Mr. Cheung served as an independent non-executive director of Asia Television Holding Limited (listed on the Stock Exchange, stock code: 707) from 2016 to 2019. He was an independent non-executive director of China Huishan Dairy Holdings Company Limited ("Huishan Dairy", listed on the Stock Exchange and delisted in December 2019, stock code prior to the delisting: 6863) in 2017. In 25 November 2017, an application was filed by one of its creditors of Huishan Dairy for the appointment of joint provisional liquidators and which were appointed in December 2017. Huishan Dairy is currently in liquidation. Mr. Cheung acted an independent non-executive director of Guoan International Limited ("Guoan", listed on the Stock Exchange, stock code: 143) from 1 June 2020 to 18 June 2021. Guoan was wound up by the Grand Court of the Cayman Islands (the "Court") in accordance with the Companies Act of the Cayman Islands pursuant to an Order of the Court dated 28 February 2022 and joint official liquidators of Guoan were appointed on the same date. According to the announcement of Guoan, Guoan received a winding up petition against it filed by the bondholders of Guoan as petitioner with the Court on 8 June 2021 on the ground that Guoan was unable to pay its debts and was therefore insolvent. Mr. Cheung has confirmed that there was no wrongful act or mis-management on his part leading to the liquidation/winding up and appointment of liquidators of Huishan Dairy and Guoan.

Mr. Chung Wai Man ("Mr. Chung"), aged 65, was appointed as an executive Director and a member of the Executive Committee on 4 June 2021. He holds a Diploma in Business Management from the Hong Kong Management Association and a Certificate of Bank of China Banking Course. He has over 24 years of experience in finance and business consulting. Mr. Chung started working in The Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po sub-branch. After his departure from The Kwangtung Provincial Bank, Mr. Chung established Raymond Chung Company in 1996, a finance and business consulting firm for corporations in Hong Kong. In 2004, he set up another consulting firm, Excel Linker Capital (Asia) Limited, to provide similar consultancy services. Due to the overlapping of the business nature, Raymond Chung Company was closed in 2006. In 2009, Mr. Chung applied to deregister Excel Linker Capital (Asia) Limited as he decided to quit the consultancy services market.

Mr. Chung has been an independent non-executive Director of Hifood Group Holdings Co., Limited (stock code: 442) since 11 May 2021 and Peking University Resources (Holdings) Company Limited (stock code: 618) since October 2021, both are listed on the Stock Exchange. Since June 2017, Mr. Chung has been an independent non-executive director of Huishan Diary, a company listed on the Stock Exchange, stock code prior to the delisting: 6863 and the shares of which were delisted in December 2019). In November 2017 an application was filed by one of its creditors of Huishan Dairy, for the appointment of joint provisional liquidators and which were appointed in December 2017. Huishan Dairy is currently in liquidation.

Mr. Chung acted as an independent non-executive director of Fuguiniao Co., Ltd. (stock code: 1819, the shares of which were delisted in August 2019) from September 2017 to June 2018. Mr. Chung was an independent non-executive director of China Taifeng Beddings Holdings Limited ("Taifeng Beddings", a company listed on the Stock Exchange, stock code prior to the delisting: 873 and the shares of which were delisted in February 2019) from November 2018 to February 2019. On 23 July 2018, a petition was filed with the High Court of the Hong Kong for the winding-up of Taifeng Beddings and provisional liquidators was appointed on 27 July 2018 and Taifeng Beddings is currently in liquidation.

Mr. Chung was an independent non-executive director of Centron Telecom International Holding Limited. ("Centron", a company listed on the Stock Exchange, stock code prior to the delisting: 1155, the shares of which were delisted in December 2020) from April 2018 to February 2020. On 25 April 2018, a petition was filed with the High Court of Hong Kong for the winding up of Centron. On 25 May 2018, Centron filed a petition in the Grand Court of the Cayman Islands for an order that Centron be wound up, and in conjunction with the petition for winding up, Centron filed a summons for appointment of joint provisional liquidators of the Cayman Islands on the grounds that it was unable to pay its debts and intended to present a compromise or arrangement to its creditors. Joint provisional liquidators were appointed on 12 June 2018.

Mr. Chung was a non-executive director of Freeman FinTech Corporation Limited (now known as Arta Techfin Corporation Limited "Arta", a company listed on the Stock Exchange, stock code: 279) from December 2020 to October 2021. Provisional liquidators of Arta were appointed from 28 February 2020 to 31 October 2021 (both days inclusive). The petition for winding up of Arta was dismissed pursuant to the order granted by the High Court of Hong Kong on 4 October 2021 and the appointment of Provisional Liquidators was discharged on 1 November 2021.

Mr. Chung confirmed that he was appointed independent non-executive director of Huishan Dairy, Taifeng Beddings, Centron and non-executive director of Arta either to assist these companies for the implementation of the restructuring plan with an aim to turnaround from distressed position, or was appointed after an application has been made for the appointment of provisional liquidator. There was no wrongful act on his part leading to the liquidation of these companies.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Ouyang Nong ("Mr. Ouyang"), aged 62, was appointed a non-executive Director on 29 September 2021, he graduated from Zhongnan University of Economics and Law with a master's degree in finance. He worked with Agricultural Bank of China for years during which he had served as a manager of Foreign Exchange and International Business Department as well as a head of Non-performing Assets Preservation Department in Agricultural Bank of China (Hubei Branch), and a general manager of China Agricultural Finance (Macau) Co., Ltd. He then worked with China Great Wall Asset Management Co. Ltd, served in the Hubei branch office of the corporation as a head of General Management Department and a head of Asset Management Department, served as the deputy general manager of the Hunan branch office of China Great Wall Asset Management Co. Ltd. He served also as a general manager of China Great Wall AMC (International) Holdings Co., Ltd and a chief supervisor of Great Wall Guorong Investment Management Co., Ltd. Mr. Ouyang has been working in the finance field for a long period of time, specializing in, among others, credit management, mergers, acquisitions and restructuring of assets, disposal of non-performing assets and regulatory compliance. He has extensive experience in finance and corporate operations and management.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Choy So Yuk ("Ms. Choy"), *BBS, JP*, aged 72, was appointed an independent non-executive Director of the Company on 5 June 2009 and is also a member of the audit committee, the chairman of each of the nomination committee and the remuneration committee of the Company. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was a deputy of the National People's Congress of the PRC. She was a member of the Legislative Council of Hong Kong from 1998 to 2008. Ms. Choy was appointed the Justice of the Peace in 2005 and was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2013.

Ms. Choy is an independent non-executive director of Best Mart 360 Holdings Limited, a company which shares are listed on the Stock Exchange. Ms. Choy was an independent non-executive director of Blockchain Group Company Limited (a company listed on the Stock Exchange, stock code: 364) from August 2002 to October 2017. On 19 November 2018, Blockchain Group Company Limited was ordered to be wound up by the High Court of Hong Kong and trading in its shares was suspended. Ms. Choy was also an independent non-executive director of Evershine Group Holdings Limited, (a company listed on the Stock Exchange, Stock Code: 8022) from May 2015 to January 2021.

Biography of Directors and Senior Management

Mr. Wu Zhao ("Mr. Wu"), aged 45, was appointed as an independent non-executive Director on 16 June 2016. He is also a member of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Wu obtained a bachelor degree in Engineering (Chemical) from the University of Queensland, Australia. He also obtained a master of commerce in applied finance and a master of information technology from the University of Queensland, Australia. He has extensive experience in finance, information technology, investment and funds management. He is currently an independent non-executive director of Royal Century Resources Holdings Limited (stock code: 8125), a company listed on GEM of the Stock Exchange.

Mr. Chen Wai Chung Edmund ("Mr. Chen"), aged 50, was appointed an independent non-executive Director, the chairman of the audit committee, a member of each of the remuneration committee and the nomination committee of the Company on 29 September 2021, he has over 24 years of solid experiences in business management, auditing, accounting, internal control and investment planning. Mr. Chen had worked as senior management positions for various international accounting firms and listed companies in Hong Kong, including KPMG HK and KPMG Huazhen, Kimou Environmental Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6805), China Regenerative Medicine International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 8158) and Legend Strategy International Holdings Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1355). He was also the vice president and the company secretary of Austar Lifesciences Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6118).

Mr. Chen was an independent non-executive director of Mason Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 273) from July 2017 to March 2020 and Huarong International Financial Holdings Limited (formerly known as Simsen International Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 993) from July 2013 to October 2015. He was a non-executive director of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 8226) from November 2014 to January 2016.

Mr. Chen holds a bachelor's degree in accountancy from the City University of Hong Kong. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants.

Biography of Directors and Senior Management

Ms. Ang Mei Lee Mary ("Ms. Ang"), aged 59, was appointed an independent non-executive Director, a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 14 December 2021, she obtained her diploma in accounting from City Polytechnic of Hong Kong (currently known as City University of Hong Kong). She is also an Accredited Accounting Technician (AAT) in Hong Kong and qualified with Association of Chartered Certified Accountants (ACCA) Diploma level 2. Ms. Ang has 23 years of experience as a professional auditor in Anthony Lui & Co, CPA and Fung & Lui, CPA. She also has extensive experience in company management and business operations. Ms. Ang served as an executive director of Hong Kong Resource Holdings Limited (stock code: 2882) from August 2008 to October 2008, an executive director of Zhidao International (Holdings) Limited (stock code: 1220) from September 2008 to January 2012, and a non-executive director of Hifood Holdings Co., Limited (stock code: 442) from July 2021 to November 2021, all companies are listed on the Main Board of the Stock Exchange. Ms. Ang was a non-executive director of Freeman Fintech Corporation Limited (now known as Arta Techfin Corporation Limited, "Arta", stock code: 279) from December 2020 to October 2021. As stated in the announcements of Arta, provisional liquidators of Arta were appointed from 28 February 2020 to 31 October 2021 (both days inclusive). The petition for winding up of Arta was dismissed pursuant to the order granted by the High Court of Hong Kong on 4 October 2021 and the appointment of the Provisional Liquidators was discharged on 1 November 2021. Ms. Ang informed that she was appointed as a non-executive director of Arta after the appointment of provisional liquidator and suspension of trading of its shares on the Stock Exchange. There was no wrongful act on her part leading to the appointment of provisional liquidators of Arta.

SENIOR MANAGEMENT

Mr. Meng Fanpeng ("Mr. Meng"), aged 42, holds an LLB from University of Lancaster and an LLM from University College London in the UK, and obtained his PhD from the Chinese University of Hong Kong. Mr. Meng was the general manager of the Investment and Finance Department of the Company from April 2016 to June 2020, an executive Director of the Company from June 2020 to June 2021 and had been a director of a subsidiary of the Company. Prior to joining the Company in 2016, he was in charge of the investment arm of a then large commodities trading and investment entity based in Hong Kong. Mr. Meng is currently a director of Cockatoo Island Mining Pty Ltd which is engaged in iron ore mining business. Mr. Meng has extensive experience in project investment and mergers & acquisitions sectors including logistics, mining, energy and real estate.

Mr. Kwok Kam Tim ("Mr. Kwok"), aged 46, joined the Company in 2008 and is currently the chief financial officer of the Company. He was the company secretary and authorized representative of the Company from February 2010 to March 2013. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Chartered Governance Institute, and the Chartered Governance Institute. Mr. Kwok holds a Bachelor of Engineering degree from The Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from The Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 16 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Huasheng International Holding Limited (stock code: 1323), the shares of which is listed on the main board of the Stock Exchange. He was also the independent non-executive director of Capital Finance Holdings Limited (stock code: 8239) during October 2009 to September 2015, and the independent non-executive director of China Ocean Fishing Holdings Limited (stock code: 8047) from June 2014 to July 2014, both companies were listed on GEM of the Stock Exchange.

Corporate Governance Report

For the year ended 31 December 2022

The board of directors (the "Board") of Silk Road Logistics Holdings Limited (the "Company") is pleased to present the corporate governance report for the year ended 31 December 2022.

A. CORPORATE CULTURE AND CORPORATE GOVERNANCE PRACTICES

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

Our staff at all levels are required to act lawfully, ethically and responsibly in our business dealings and operations. As a matter of course, the Directors and the senior management take a stewardship role in this regard. Not only do they work to lead by example; they also engage colleagues continually in discussions of the associated principles whenever relevant situations arise. Guidelines on ethics and integrity are given to colleagues for clear reference and adherence.

The Board is committed to raising the standard of corporate governance by emphasizing transparency, independence, accountability, responsibility and fairness. The Board believes that good corporate governance helps the Group safeguard the interests of its shareholders and improve its performance. The Company exercises corporate governance through the Board and various committees.

In the opinion of the directors of the Company (the "Directors"), the Company has applied the principles and has complied with the respective code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2022, except for the following deviations:

Code Provisions C.2.1 to C.2.9

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

Code Provision C.5.1

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

Code Provision F.2.2

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

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the 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 confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

C. BOARD OF DIRECTORS

The Board currently comprises two executive Directors, namely Mr. Cheung Ngai Lam and Chung Wai Man; one non-executive Director, namely Mr. Ouyang Nong, and four independent non-executive Directors ("INEDs"), namely Ms. Choy So Yuk, Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary.

The Board is responsible for formulating the Group's overall strategy, sets the business directions and monitors the performance of the Group's businesses. The Board is accountable to the shareholders of the Company for its performance and activities and is the ultimate decision-making body of the Group except for those matters that are reserved for approval by shareholders in accordance with the Bye-laws, the Listing Rules and other applicable laws and regulations.

The management has been delegated the authority and responsibility by the Board for the day-to-day operations and management of the Group and to implement the Board's decisions, makes business proposals and is accountable to the Board. In addition, the Board has delegated various responsibilities to Board committees, further details of these committees are set out in this report. The Board reserves the authority to approve interim and annual financial statements, dividend policy, business plans and material investment decisions.

During the year, 15 Board meetings, one special general meeting ("2022 SGM") and the 2022 annual general meeting (the "2022 AGM") were held. The attendance records of individual Director are as follows:

Directors	**Board Meetings** No. of meetings attended/held	**2022 SGM** No. of meeting attended/held	**2022 AGM** No. of meeting attended/held
Executive Directors			
Mr. Cheung Ngia Lam	15/15	1/1	1/1
Mr. Chung Wai Man	14/15	1/1	1/1
Non-Executive Director			
Mr. Ouyang Nong	14/15	1/1	0/1
Independent Non-executive Directors			
Ms. Choy So Yuk	14/15	1/1	1/1
Mr. Wu Zhao	15/15	1/1	1/1
Mr. Chen Wai Chung Edmund	15/15	1/1	1/1
Ms. Ang Mei Lee Mary	15/15	1/1	1/1

The INEDs play an important role in the Board as they bring an impartial view on the Group's strategies, performance and control and ensure that the interests of the shareholders are considered. All INEDs possess appropriate academic, professional qualifications or related financial management experience. In order to ensure that independent views and input of the INEDs are made available to the Board, the Board are committed to assess the independency of the INEDs annually with regards to the relevant factors relating to the independency including:

– the required integrity, expertise, experience;
– time commitment and attention to the Company's affairs;
– declaration of conflict of interest in their roles; and
– no involvement in the daily management of the Company nor in any relationship which would affect the exercise of their independent judgement.

The Company has received from its INEDs annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules. Each of the INEDs (except Ms. Choy So Yuk) has served the Company for not more than 9 years. The Board has assessed their independence and concluded that all the INEDs are independent.

Ms. Choy So Yuk has served as an INED for more than 9 years. The Company has received Ms. Choy's confirmation of independence pursuant to Rule 3.13 of the Listing Rules and she continues to demonstrate the attributes of an INED and there is no evidence that her tenure has had any impact on her independence. Ms. Choy is not involved in the daily management of the Group nor in any relationships or circumstances which would interfere with the exercise of her independent judgment. In view of Ms. Choy holds a wide variety of political, social and academic positions, which the Board believes that she is capable to provide constructive contributions as well as wide spectrum of independent opinion to the Company. Hence, the Board is of the opinion that Ms. Choy has the required charter, integrity, experience and knowledge to continue fulfilling the role of an INED effectively and is of the opinion that Ms. Choy remains independent and believes that her experience continues to generate significant contribution to the Company and the Shareholders as a whole.

Biographical details of all Directors are disclosed in the section headed "Biography of Directors and Senior Management" in this Annual Report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

Pursuant to code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. An induction would be given to the newly appointed Director(s) to provide information regarding the business and operation of the Company and as well as his responsibilities under the Listing Rules and relevant regulations.

During the year under review, the Company has arranged seminars and provided reading materials to all Directors to update them on the latest developments and changes to the Listing Rules. The reading materials include amendment to Listing Rules in relation to share scheme, 2022 Annual Investigation and Compliance Report by Accounting and Financial Reporting Council, guidelines and e-learning in relation to Listing Rules and listed issuer's obligations under the Listing Rules provided by the Stock Exchange. The Company has arranged seminar on ESG Disclosure of Issuers and Whistleblowing-Key Compliance and Cultural Requisites. Mr. Chen Wai Chung Edmund also attended other seminars/training courses relevant to his profession and duties as a director.

Directors' training is an ongoing process, all Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide records of training they received to the company secretary of the Company (the "Company Secretary") for records.

The participation by individual Directors in the continuous development during the year ended 31 December 2022 is as below:

Name of Directors	Types of continuous professional development activities
Executive Directors	
Cheung Ngai Lam	A,B
Chung Wai Man	A,B
Non-executive Director	
Ouyang Nong	B
INED	
Choy So Yuk	B
Wu Zhao	A,B
Chen Wai Chung Edmund	A,B
Ang Mei Lee Mary	A,B

A – Attending training session arranged by the Company
B – Reading material provided by the Company

The Board and each Director individually, in carrying out their duties, must have regard to the best interests of the Company and the interests of shareholders. To assist the Directors in discharging their duties and fulfill their responsibilities, the Company has adopted a policy for the Directors and the Board Committee Members to seek independent professional advices at the expenses of the Company on any matter connected with the discharge of his or her responsibilities.

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

It is the policy of the Company to separate the roles of Chairman and Chief Executive Officer. The Chairman is mainly focus on the strategic planning and development of the Group while the Chief Executive Officer is responsible for the day-to-day management and oversees the Group's operational activities. Subsequent to the resignation of the former Chairman, the post has been vacant since June 2020. The Board will make appointment with suitable knowledge, skill and experience to fill the post of Chairman as appropriate. After the resignation of the former Chief Executive Officer in July 2020, the post was vacant until the appointment of Mr. Meng Fanpeng (who had been an executive Director from June 2020 to June 2021) as the Chief Executive Officer in June 2022. However, all Directors together bring diverse experience and expertise to the Board.

The Company will from time to time review the structure and composition of the Board to ensure that a balance of power and authority between the Board and the management is appropriately maintained for the Group.

E. NON-EXECUTIVE DIRECTORS

The non-executive Director, Mr. Ouyang Nong, the INEDs Mr. Wu Zhao, Mr. Chen Wai Chung Edmund has entered into a service agreement with the Company for a term of three years, while Ms. Ang Mei Lee Mary has entered into a service agreement with the Company for a term of one year. Ms. Choy So Yuk was not appointed for a specific term. All Directors, including Ms. Choy So Yuk, are subject to the retirement provisions in the Bye-laws which provides that every Director (including the INEDs) shall be subject to retirement at least once every three years.

F. BOARD COMMITTEES

The Board has established four committees, details of which are set out below.

Executive Committee

The Executive Committee currently comprises two executive Directors, namely Mr. Cheung Ngai Lam and Chung Wai Man. The Executive Committee was established to assist the Board in execution of its duties and to facilitate effective management. It has written terms of reference under which certain functions, including the daily operation and management functions have been delegated to it.

Remuneration Committee

The Remuneration Committee currently comprises four INEDs, namely Ms. Choy So Yuk (the chairman), Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary. The terms of reference of the Remuneration Committee are available on the respective websites of the Company and the Stock Exchange.

The Remuneration Committee will meet at least once a year to discharge its responsibilities. The major roles of the Remuneration Committee are as follows:

(i) make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;

(iii) make recommendations with respect to the remuneration of the Directors and the senior management of the Company for approval by the Board;

(iv) to review and approve compensation payable to the executive Directors and senior management for loss or termination of office; and

(v) to review and approve mattes relating to share scheme under Chapter 17 of the Listing Rules.

The Group's remuneration policy has been formulated with reference to the market practice and the qualification, duties and responsibilities of Directors and employees. In order to attract, retain, and motivate personnel of the required quality to manage the Company successfully, the Company adopted the existing share option scheme in 2017 to reward those eligible participants who contribute to the success of the Group's operations.

During the year, the Remuneration Committee held 3 meetings and the attendance of individual members of the Remuneration Committee at the meetings is set out below:

Committee Members	Number of meetings attended/held
Ms. Choy So Yuk	3/3
Mr. Wu Zhao	3/3
Mr. Chen Wai Chung Edmund	3/3
Ms. Ang Mei Lee Mary	3/3

During the year, the Remuneration Committee has considered the policy for the remuneration of the Directors and senior management, reviewed and made recommendation to the Board on the remuneration packages of Directors and the Chief Executive Officer. Details of the remuneration of each of the Directors and the senior management for the year are set out in Note 10(Directors' and Chief Executive's Remuneration) and Note 11 (Five Highest Paid Employees) of the consolidated financial statements.

Nomination Committee

The Nomination Committee currently comprises four INEDs, namely Ms. Choy So Yuk (as the chairman), Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary and one executive Director, Mr. Cheung Ngai Lam. The terms of reference of the Nomination Committee is available on the respective websites of the Company and the Stock Exchange.

The main duties and responsibilities of the Nomination Committee are as follows:

(i) review the structure, size, diversity and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) assess the independence of independent non-executive Directors;

(iv) make recommendations to the Board on the appointment or re-appointment of Directors; and

(v) review the Board Diversity Policy and the measurable objectives that the Board had set for implementing the Board Diversity Policy, and the progress on achieving the objectives.

During the year, the Nomination Committee held 2 meetings and the attendance of individual member of the Nomination Committee at the meetings is set out below:

Committee Members	Number of meetings attended/held
Ms. Choy So Yuk (act as chairman)	2/2
Mr. Wu Zhao	2/2
Mr. Chen Wai Chung Edmund	2/2
Ms. Ang Mei Lee Mary	2/2
Mr. Cheung Ngai Lam	2/2

During the year, the Nomination Committee reviewed the structure, size and composition of and diversity (including the evaluation of skill, knowledge, cultural and education background, professional experience, age, gender and length of services of the Board members) of the Board, and the Board Diversity Policy. The Nomination Committee considered the Board to possess a diversity of perspectives which is appropriate to the Group's requirement. The Nomination Committee made recommendation to the Board for the appointment of the Chief Executive Officer. The Nomination Committee has also reviewed the independence of INEDs and approved the nomination of the retiring Directors for re-election and has recommended the same to the Board. In approving the nominations, the Nomination Committee have taken into account a range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge and length of service. The Nomination Committee had also taken into account the merit and overall contributions of the retiring Directors have brought to the Board and the Board committee responsibilities and their commitment to their roles.

Board Diversity Policy

The Company recognizes the benefits of diversity in Board members. With a view to achieving a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its sustainable development. The Board has adopted a Board Diversity Policy in 2013 which sets out the approach to achieve diversity on the Board. The Company seeks to achieve Board diversity through the consideration of a number of measurable objectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has set measurable objectives based on a range of diversity perspective, including but not limited to skills, knowledge, cultural and educational background, professional experience, age, gender and length of service for implementing the Board Diversity Policy. The Nomination Committee has specific procedures for identifying, assessing and nominating suitable candidates for appointment of new directors. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The measurable objectives will be reviewed from time to time to ensure their appropriateness and the progress on achieving the objectives and make recommendations on any proposed changes to complement the Company's corporate strategy.

Gender Diversity

The Board currently comprises 7 Directors of which 5 are male with the remaining 2 are female. The Board considered that the ratio of male to female Directors achieve the gender diversity objective set out in the Board Diversity Policy. The Nomination Committee and the Board are mindful of the objective for the factors for assessing the candidacy of the Board members, and will ensure that any successors to the Board shall follow the gender diversity policy. As at 31 December 2022, the Group had 30 employees in total comprising of 17 males and 13 females, reflecting a gender equality principle generally adhered by the Group.

Audit Committee

The Audit Committee currently comprises four members, namely Mr. Chen Wai Chung Edmund (as chairman), Ms. Choy So Yuk, Mr. Wu Zhao and Ms. Ang Mei Lee Mary, all being the INEDs. The chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules. The Audit Committee has the written terms of reference which is available on the respective websites of the Company and the Stock Exchange.

The major roles of the Audit Committee are as follows:

(i) consider and recommend the independence, remuneration, appointment, re-appointment and removal of external auditor;

(ii) review the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards;

(iii) review the financial information, the financial and accounting policies and practices;

(iv) oversee financial reporting system, risk management and internal control systems and the effectiveness of the internal audit function; and

(v) review connected party transactions.

During the year under review, the Audit Committee held five meetings of which to review financial reporting matters and other areas of concerns during the audit, the recommendations by the external expert on enhancement of internal control and risk management. It also reviewed the Group's annual and interim report for the year with recommendations to the Board for approval, reviewed the independence of the external auditors, discussed with the management and the external auditor the accounting policies and practices which may affect the Group. The attendance record of individual member of the Audit Committee at these meetings is set out in the following table:

Committee Members	Number of meetings attended/held
Mr. Chen Wai Chung Edmund (chairman)	5/5
Ms. Choy So Yuk	4/5
Mr. Wu Zhao	5/5
Ms. Ang Mei Lee Mary	5/5

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements, the risk management and internal control systems, the effectiveness of the Company's internal audit function, in the review of the Company's interim and annual reports.

The audited financial statements and the annual report of the Company for the year ended 31 December 2022 have been reviewed by the Audit Committee.

G. CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which include developing, reviewing and implementing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the shareholders' communication policy. During the year, the Board reviewed and/or formulated the Company's policies on corporate governance, the Board Diversity Policy, Dividend Policy, Anti-corruption Policy, Whistle-blowing Policy, Guidelines on Disclosable and Connected Transactions, compliance with the CG Code, and disclosure in the corporate governance report.

H. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit services provided to the Company and its subsidiaries by the auditor of the Company amounted to HK$720,000 (2021: HK$850,000), and the non-audit service provided to the Company for the year 2022 amounted to HK$100,000 (2021: HK$230,000). The non-audit service is for review of the interim results.

I. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2022, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable.

As at 31 December 2022, the Group's current liabilities exceed the Group's current assets by HK$652,265,000, which includes the other borrowings and the promissory notes payable amounted to HK$529,627,000 and HK$77,501,000 respectively; the Group's total liabilities exceed the Group's total assets by approximately HK$405,650,000; and the Group incurred net loss amounted to HK$99,586,000 for the year ended 31 December 2022. The Directors considered 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. The management will closely monitor the financial position of the Group and the Directors will make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the lender of the other borrowings and the holder of the promissory note payable for the extension of repayments of the other borrowings and the promissory note to a date when the Group has adequate working capital to serve the repayments.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The statement made by CCTH CPA Limited, the independent auditor of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditors' Report" in this Annual Report.

J. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board review the effectiveness of internal control and risk management annually. The Company has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the internal control systems and risk management of the Group by identifying deficiencies in the design and the implementation of internal controls and proposing recommendations for improvement. The independent professional advisor has also carried out the internal audit functions.

For the year, the Audit Committee and the Board has reviewed the Risk Management Assess Report and Internal Control Review Report and Internal Control Review Follow Up Report prepared by the independent professional advisor. The Audit Committee has communicated with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control system. The review of the internal control and risk management covered major financial, operational, compliance and risk management aspects (including ESG risks) of the Group in order that the systems are practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The independent professional advisor has identified internal control failings including non-compliance with Rules 13.24 of the Listing Rules in relation to failure to maintain sufficient level of operations. Recommendations for improving control weakness have been provided. Appropriate measures will be implemented so as to resolve internal control deficiencies, if necessary. The systems were considered adequate in general to safe guard the interests of the shareholders investments. The Board's review also consider the adequacy of resources, qualifications and staff of the Company's accounting and financial reporting function.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

The Group has complied with the ESG Reporting Guide of the Stock Exchange and the ESG Report has been published at the same time as the annual report for each year since the Listing Rules requiring the publication of the ESG report.

Disclosure of Inside Information

Procedures for handling and dissemination of inside information had been established. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules and the "Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission of Hong Kong. The Procedure provides guidelines to the Directors and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements and to facilitate the escalation of information to the responsible person for determining the need of disclosure. The Group prohibit unauthorized use of confidential or inside information.

Whistleblowing Policy and Anti-corruption Policy

The Board adopted a whistleblowing policy in 2022. The purpose of the Whistleblowing Policy is to foster a culture of ethical behavior and good corporate governance in the Group and promote the importance of ethical behavior and encourages the reporting of misconduct, malpractice and unethical behavior. The nature, status and the results of the complaints under the Whistleblowing Policy are reported to the Executive Committee or the Audit Committee. No incident of fraud or misconduct that have material effect on the Group's financial statements or operations for the year ended 31 December 2022 has been discovered. The Whistleblowing Policy is reviewed by the Board from time to time to ensure its effectiveness.

The Board adopted an anti-corruption policy in 2022 which forms an integral part of the Group's corporate governance framework. The ani-corruption policy sets out the specific behavioral guidelines that the Group's employees and third parties dealing with the Group have to follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and compliance of anti-corruption laws and regulations that apply to its local and foreign operation.

K. COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year under review, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

L. SHAREHOLDERS' RIGHTS

Convening a general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be signed by the requisitionists and deposit at the principal place of business of the Company in Hong Kong.

The meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary and deposit at the Company's principal place of business in Hong Kong or by e-mail to enquiry@srlhl.com.

Putting forward proposal at general meeting

The number of shareholders required to move a resolution at an annual general meeting or to circulate any statement by written request shall be (i) any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having a right to vote at the annual general meeting or the relevant general meeting; or (ii) not less than one hundred shareholders. The written request must state the resolution to be moved at the annual general meeting or the statement of not more than one thousand words in relation to any particular resolution being proposed or business to be dealt with in the relevant general meeting of the Company (as the case may be). It must be signed by all the requisitionist and deposited at the head office of the Company in Hong Kong for the attention of the Company Secretary not less than six weeks before the annual general meeting in case of a requisition requiring notice of a resolution, or not less than one week before the general meeting in case of any other requisitions. The requisitionists must deposit a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

M. COMMUNICATION WITH SHAREHOLDERS

The Company acknowledges the importance of communicating with shareholders and investors. A shareholders' communication policy was adopted in March 2012. The primary communication channel between the Company and its shareholders is through the publication of announcements, circulars, interim and annual reports. These publications can be obtained from the Company's website. The Hong Kong branch share registrar of the Company services the shareholders in respect of share registration, dividend payment and related matters.

In addition, Shareholders are encouraged to attend the Company's annual general meeting which provides a useful forum for shareholders to make comments and exchange views with the Board. Notice of annual general meeting together with the meeting materials are dispatched to all shareholders not less than 20 clear business days prior to the meeting. The Directors and external auditor are available to answer questions of the Group's business at the meeting. Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual directors.

At the annual general meeting and the special general meeting held in 2022, all the resolutions were put to the vote by poll and Tricor Tengis Limited, the Company's Hong Kong branch share registrar, was engaged as scrutineer to ensure the votes were properly counted. The Company has complied with the requirements of the Listing Rules and the Bye-laws in respect of voting by poll and other related matters during the year.

N. INVESTOR RELATIONS

On 21 June 2022, the shareholders of the Company have approved at the annual general meeting the proposed amendments to the Bye-laws of the Company in order to bring it (i) in line with the relevant requirements of the Listing Rules which came into effect from 1 January 2022 as well as the applicable laws of Bermuda; (ii) allow general meetings of the Company to be held as a hybrid meeting or electronic meeting where Shareholders may attend by electronic means in addition to as a physical meeting where Shareholders attend in person; and (iii) adopt house-keeping improvements. Details of the amendments were set out in the circular of the Company dated 12 May 2022. A copy of the latest Bye-laws is available on the websites of the Company and the Stock Exchange.

The Company welcomes suggestions and express of the views from investors, stakeholders and the public. Enquiries and communication to the Board or the Company may be sent to the Company's principal place of business in Hong Kong.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Silk Road Logistics Holdings Limited (hereinafter referred to as "Silk Road") is an investment holding Company. Silk Road and its subsidiaries (collectively, the "Group" or "we") principally engage in commodity trading, oil exploration, refining, production and sale, as well as logistics and warehousing. We are dedicated to incorporating sustainability principles into our strategic planning and daily operations through transparent measures, not only to enhance our competitiveness, but also to deliver enduring values to our major stakeholders including shareholders, employees, customers and the general public. The Group is committed to fulfilling its responsibility to the environment in its operations by limiting its environmental pollution and emission, conserving energy and promoting recycling, as well as stringent compliance with national and regional environmental laws to curtail pollution in daily operations.

In order to construct long-term trusted ties with community stakeholders, the Group is pleased to publish our environmental, social and governance ("ESG") report (the "Report") for the fiscal year of 2022 to give an overview of our ESG performance and initiatives. The report is written in Chinese and English, and is uploaded to the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk/) and the website of the Group (www.silkroadlogistics.com.hk).

Reporting Scope

The Report presents the Group's ESG management approach, implementation, monitoring methods, performance and relevant material topics within its core business from 1 January 2022 to 31 December 2022 ("Reporting Year").

Unless otherwise specified, the Report identifies the reporting scope by the principle of materiality, and takes into account the core business, the main sources of income and the relationship of the business to the environment and society. The scope of the Report covers Silk Road Logistics (Qian'an) Co., Ltd., a core subsidiary of the Group, whose logistics and warehousing business is the principal business of the Group. To facilitate reading, Silk Road Logistics (Qian'an) Co., Ltd. is referred to as the "Company" in the Report. Unless otherwise specified, the key performance indicators ("KPIs") cover the logistic centre of the Company in Qian'an, Hebei Province.

The reporting scope of business and entity is consistent with the reporting scope of the last two years. The last Environmental, Social and Governance Report of Silk Road was published in April 2022.

Reporting Principles

The Report has been compiled and presented in accordance with the ESG Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX ESG Reporting Guide") and applies the following principles.

Materiality: The information disclosed in the Report was compiled, evaluated and presented based on its materiality to the Group's business and to its stakeholders. The Report reviews the performance of the operating environment over the past year; through a number of communication activities with business stakeholders, it provides a substantive assessment to identify environmental, social and governance issues that have a significant impact on investors and other stakeholders.

Quantitative: The calculation and analysis of KPIs in the Report are compiled based on the guidelines on How to Prepare an ESG Report published by the Stock Exchange, Appendix 2: Reporting Guidance on Environmental KPIs and Appendix 3: Reporting Guidance on Social KPIs. Therefore, the effectiveness of the Company's ESG initiatives can be evaluated and verified through data comparison. Relevant statistical standards, methodologies, assumptions and calculation tools as well as sources of conversion factors for emission and energy consumption (if other international standards are referred to) are disclosed and narrative for data is provided to explain the purpose and effects if appropriate.

Balance: The Report provides an objective and unbiased picture of the Company's ESG performance and avoids selections and omissions that may inappropriately influence the judgement of readers. Achievements and room for improvement of the Group's ESG performance can be evaluated and validated by data comparison with historical data for the past two years.

Consistency: The Report has been prepared in the same way of the last year in terms of information collection, reporting framework, data calculation methods (including ESG data collection and KPIs adopted) and reporting scope, so as to make it continuous and comparative. If there are any changes in the future that may affect comparisons with past reports, the Company will add a note to the relevant content of the report.

Feedback

Any comments regarding the Report or the ESG performance of the Company can be raised through the following channels. The Group values your opinions:

Address:	Room 1702, 17th Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Telephone:	852 2895 6733
Fax:	852 2895 6876
E-mail:	enquiry@srlhl.com

STAKEHOLDER ENGAGEMENT

The Group is committed to complying with legal and regulatory requirements and has been maintaining a high level of corporate disclosure. We believe that stakeholder value can be enhanced and created through clear communication of the Company's strategy, business development and prospects under close collaboration with its stakeholders; thus, we value their interests and opinion, their engagement in particular.

The Group convenes general meeting annually, through which members of the management not only explain the operational status of the Group, but also receive direct feedback from shareholders, facilitating two-way communication between the Board of Directors (the "Board") and investors. The Company, in addition to convening general meetings, maintains a close relationship with stakeholders such as customers and cooperative business units which are responsible for warehouse management and listens to their opinion and needs through visits, telephone calls and customer service. The overall performance of the Group is published annually in the annual report and presented to investors. Moreover, all news related to the Group is published on the website of Silk Road, including financial information and reports, changes in and list of directors as well as other important information such as business update, acquisitions or disposals. Financial highlights are updated on a regular basis as well to enable shareholders and people from different sectors to deepen their understanding of and enhance communication with the Group. In order to identify stakeholders' insights and concerns on business operations, the Group communicates with key stakeholders by various means (as shown in the table below) on a regular basis.

Major stakeholders	Communication methods	Issues of concern
Investors	Maintain close, transparent and efficient communication with stakeholders via annual general meetings and special general meetings, emails, phone calls, announcements and so on.	• Service quality • Corporate governance and risk management • Information disclosure and investor relations
Customers	Customers can express their views via WeChat, telephone, e-mail, etc., and staff members from the customer service department will give customers an appropriate reply as soon as possible.	• Use of resources • Service quality • Health and safety
Employees	Formulate rules and regulations for employment and employee benefits, and raise employees' awareness of occupational safety and health by means of training.	• Employee development and training • Health and safety • Labour standards
Suppliers	Establish an open and transparent procurement policy by means of emails, meetings as well as reviews and evaluation to achieve mutual benefits and a win-win result with suppliers.	• Supply chain management • Health and safety • Environment and natural resources
Industry associations	Host and participate in activities of the Hebei Logistics Association to promote the development of the logistics industry.	• Use of resources • Service quality • Supply chain management

The Report discloses and responds to the issues of concern of the above stakeholders. The Group will continue to review and formulate corresponding ESG policies, strategies and goals; work out appropriate response measures and control procedures; and enhance the disclosure of the ESG reports, with a view to improving our ESG performance on an ongoing basis.

MATERIALITY ASSESSMENT

During the Reporting Year, we conducted stakeholder communication activities and substantive assessment to understand stakeholders' awareness and vision in the environmental, social and governance aspects. The assessment was carried out by collecting stakeholders' views through a questionnaire survey. We adopted four steps in making our assessment: identification of material issues, collection of stakeholders' opinion, determination of material issues and future work.

Identification of Material Issues

Preliminary, we adopted the following as the preliminary reference and basis for materiality assessment:

- The Environmental, Social and Governance Reporting Guide of the Stock Exchange;
- Starting from the four dimensions of the economy, the environment, society and governance;
- Integrating the development trend of the country and the industry;

We identified 22 material issues on sustainable development, which cover the four areas of the environment, employment, operation and the community.

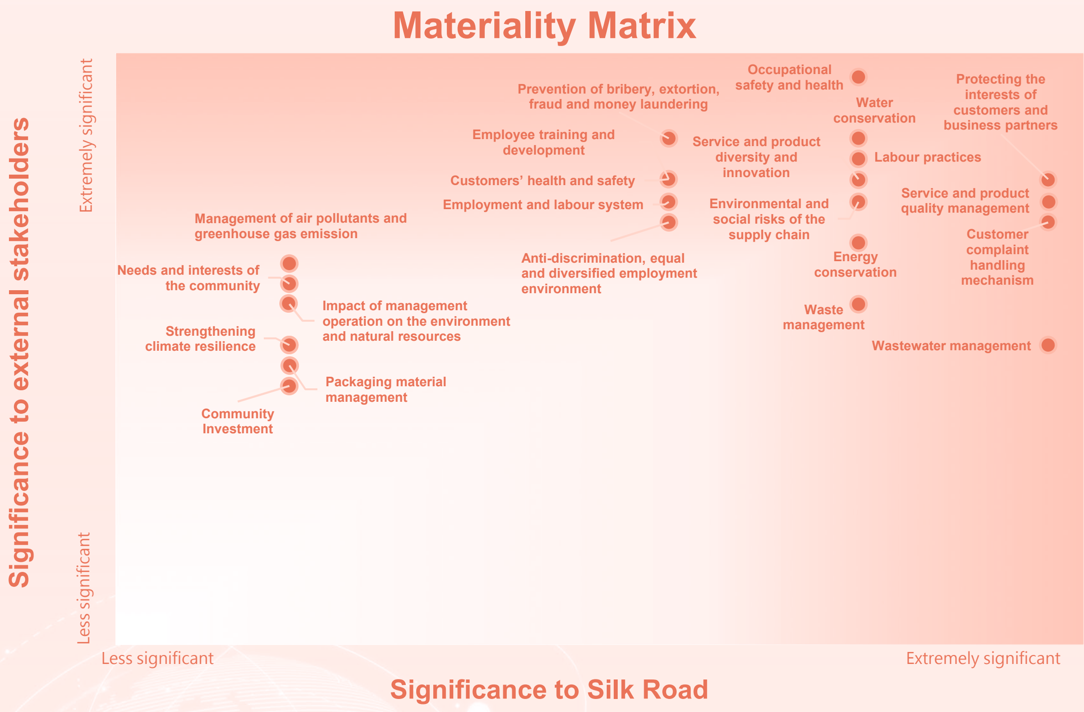
Environmental protection	Employment and labour practices	Operation practices	Community
1. Management of air pollutants and greenhouse gas emission	9. Employment and labour system	14. Environmental and social risks of supply chains	21. Community needs and interests
2. Wastewater management	10. Anti-discrimination, equal and diverse employment environment	15. Service and product quality management	22. Community investment
3. Waste management	11. Occupational health and safety	16. Service and product diversity and innovation	
4. Energy conservation	12. Employee training and development	17. Customers' health and safety	
5. Water conservation	13. Labour practices	18. Customer complaint handling mechanism	
6. Packaging materials management		19. Protecting the interests of customers and business partners	
7. Impact of management operation on the environment and natural resources		20. Prevention of bribery, extortion, fraud and money-laundering	
8. Strengthening climate resilience			

Collection of Stakeholders' Opinion

For the materiality issues identified above, we invited representatives of internal and external stakeholders to assess environmental, social and governance performance, and to share the importance to the operation of the Group. We collected feedback from stakeholders via questionnaire, in order to rate each of the relevant issues.

Determination of Material Issues

According to the above assessment process, we considered the materiality of each issue to the Company's business and the stakeholders, and obtained the analysis results of substantive issues, as shown in the materiality matrix in the chart below:



We used the materiality matrix as an analytical tool to determine the priorities of 22 significant issues based on the significance level as follows: protecting the interests of customers and business partners, service and product quality management, customer complaint handling mechanism, occupational health and safety, wastewater management, water conservation, labour practices, service and product diversity and innovation, environmental and social risks of supply chains, energy conservation, waste management, prevention of bribery, extortion, fraud and money-laundering, employee training and development, customers' health and safety, employment and labour system, anti-discrimination, equal and diverse employment environment, management of air pollutants and greenhouse gas, needs and interests of the community, impact of management operation on the environment, strengthening climate resilience, packaging materials management and community investment.

Future Work

Based on the opinion from stakeholders, we will continue to deal with matters that are stakeholders' concerns. In the coming year, we expect that we can extend the categories and the number of stakeholders participating in questionnaire with the theme of sustainable development, further applying materiality reporting principle to generate more representative materiality assessment results.

ESG WORK

Summary Of Governance Statement

The Board of the Group has been responsible for the leadership of the Group and has assumed a regulatory role, placing an increasing emphasis on environmental, social and governance ("ESG") issues and actively integrating ESG into our vision and corporate governance structure. The Group considers ESG issues related to business development in order to reduce environmental and social impact and undertake our corporate social responsibility in our business operations.

The Group actively considers ESG issues in its decision-making to mitigate business operations risks and explores opportunities in a rapidly changing market. The Board assumes full responsibility for ESG strategy and reporting. As the top decision-making and management body, it is responsible for leading and directing the management of various departments to actively formulate the Group's overall strategy, set business direction and monitor business performance, determine targets for use of resources and waste management, and delegate some authority and responsibility to the management. Members of the management perform the work and responsibilities related to the implementation of ESG, identify operational risks and evaluate the effectiveness of risk management and internal monitoring systems, collect relevant KPIs data, develop summary reports on ESG activities, and report to the Board on relevant policies, measures, project progress, objectives and achievements. The Board annually examines the effectiveness of ESG initiatives, taking into account the set targets and the required KPIs and reviewing relevant ESG performance. To continuously improve its governance structure, the Board will also review ESG policies and practices to ensure compliance with the Group's ESG standards.

Risk Assessment

The Company has now incorporated the environmental, social and governance factors into the existing risk management and internal monitoring system. We assessed the potential risks to our business of each of the environmental, social and governance issues (including climate change), ranking the issues based on the possibility and extent of their impact:

High risk	Medium risk	Low risk
1. Wastewater management	8. Occupational health and safety	11. Waste management
2. Water conservation	9. Labour practices	12. Employee training and development
3. Service and product quality management	10. Service and product diversity and innovation	13. Customers' health and safety
4. Customer complaint handling mechanism		14. Management of air pollutants and greenhouse gas emission
5. Protecting the interests of customers and business partners		15. Energy conservation
6. Employment and labour system		16. Packaging materials management
7. Environmental and social risks of supply chains		17. Impact of management operation on the environment and natural resources
		18. Strengthening climate resilience
		19. Anti-discrimination, equal and diverse employment environment
		20. Prevention of bribery, extortion, fraud and money-laundering
		21. Needs and interests of the community
		22. Community investment

Outlook, Challenge and Opportunity

Faced with the economic slowdown, the outbreak of geopolitical conflicts, the epidemic, supply chain disruption and other uncontrollable factors, we encountered unprecedented pressure and challenges. During the reporting period, the Listing Committee decided to suspend trading of the shares of Silk Road on the ground of insufficient operation level of the Group. We had been communicating with professional consultants and potential business partners to explore different business options and opportunities and working tirelessly for a viable solution to resume trading. As a result, the original scheme of establishing an Environment, Social and Governance Committee (the "Committee") to enhance overall Board oversight was not implemented as scheduled during the Reporting Year. However, we are confident that the resumption of business and operations will be accelerated and the establishment of the Committee will be added to the planning agenda for the coming year, with a view to further advancing the work in various ESG areas of business operations.

Through sustainable development strategies and reporting work, the Group wishes to reduce environmental, social and governance risks and related costs, protect the environment to take up corporate social responsibility and give back to society; at the same time increasing market share and competitiveness, complying with certain capital markets; enhancing corporate image, popularity and market impact among the public and all stakeholders, thereby bringing forward more collaboration opportunities with various stakeholder groups.

ENVIRONMENTAL MANAGEMENT

As the world economy and social development enter a "new normal" pattern, environmental protection is of utmost importance to the sustainable development of the Company's business under the general trend towards green development, recycling development and low-carbon development. In view of this, the management actively monitors environmental management issues in the operational process and strives to cut down measures that impact the environment, demonstrating our continual commitment to environmental protection.

Moreover, the Chinese government has been promoting environmental protection actively in recent years with a focus on pollution control and environmental quality improvement by introducing the Environmental Protection Law of the People's Republic of China and Environmental Protection Tax Law of the People's Republic of China to enhance pollution control and environmental protection. In line with national policies, the Company implements relevant environmental protection measures in its scope of business. During the Reporting Year, the Company did not breach laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, nor did it receive any complaints in respect of or related to the above two laws.

Air Emission Control

The principal business of the Company is warehousing and logistics. The main source of exhaust gas emission is the emission from vehicles, while the main types of air emissions are nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matters ("PM"). Various measures have been adopted against the identified emission sources, including monitoring of exhaust gas emissions from various equipment and implementing air emission controls, for example company vehicles are required to be inspected within a specified period in accordance with the relevant regulations and to use cleaner fuel, to ensure that the Company's vehicles have passed the vehicle exhaust test.

The Company understands that commercial business trips involving long-distance transportation will increase energy consumption and lead to an increase in carbon emissions. Therefore, the Company gives priority to modern communication modes, including internet video conferencing, to trim the needs for business travel, which will in turn reduce carbon emissions caused by transportation. If business travel is required, priority is given to public transportation to reduce additional carbon emissions and vehicle fuel consumption. Apart from convenience and speed, high-speed rail is preferred if it is available because it is powered by electric energy, substantially reducing emission of exhaust gases.

The following table sets out the Company's air emissions volume for the past 3 reporting years:

Air emissions[1, 2]	2022	2031[3]	2020
NOx (kg)	**4.15**	7.18	6.36
SOx (kg)	**0.02**	0.04	0.10
PM (kg)	**0.30**	0.53	0.47

Monitoring Greenhouse Gas ("GHG") Emissions

The Company's direct GHG emissions ("Scope 1") cover the emissions from fuel combustion by kitchen stoves in company canteen, fuel combustion by company vehicles and use of carbon dioxide fire extinguishers. The indirect GHG emissions from energy ("Scope 2") are the GHG caused by the consumption of purchased electricity during operation. In the Reporting Year, the Company's Scope 1 emissions accounted for 1.5% of the Company's total GHG emissions, while Scope 2 emissions accounted for 98.5%.

The Company's GHG emissions are quite limited. Due to the nature of warehousing service, GHG emissions are mainly from the use of purchased electricity and vehicle fuel combustion. The Company has established emission reduction measures for these two identified major emission sources. In terms of vehicle emissions, our employees are encouraged to use public transportation, in addition to regular inspection and maintenance of company vehicles. During the Reporting Year, we conducted analysis on abnormal electricity consumption through recording monthly electricity consumption and setting out power and energy conservation measures. Split type air conditioners were installed in the summer of 2022 to replace central air conditioners, so as not to waste energy by turning on air conditioners for a long time when no one is using the office. In winter, the use of air conditioning for heating purposes continued to be reduced. On the other hand, the Company continued to improve energy conservation management, such as the use of energy-efficient LED lamps, reducing the consumption of lighting and electronic equipment as much as possible. Electricity consumption decreased significantly by 29% compared with that of 2021. We have worked out regulations and quantified targets on the use of electricity as well. For details, please see the following section headed "Use of Resources".

1 Emissions are calculated with reference to formula and emission factor in Appendix 2: Reporting Guidance on Environmental KPIs of How to prepare an ESG Report issued by the Hong Kong Exchanges and Clearing Limited.

2 We did not set out any quantified emissions target due to its immateriality to sustainable development strategy and business operation.

3 The canteen fuel data collected in 2021 were incorrect and the relevant air emissions data have been corrected.

GHG emissions are on the decrease after the Company implemented the above measures, making effective gains.

The following table sets out the total amount and intensity of the Company's GHG emissions in the past 3 reporting years:

GHG emissions[4]	**2022**	2021[5]	2020
Number of operating facilities	**6**	6	6
Scope 1 (tonne carbon dioxide equivalent "tCO_2e")	**4.89**	5.42	19.08
Scope 2 (tCO_2e)	**316.57**	717.87	758.40
Total emission and intensity			
(tCO_2e)	**321.45**	723.29	777.48
(tCO_2e/operating facility)	**53.58**	120.55	129.58

Waste Management

The Company adopts appropriate reduction measures against various types of wastes to reduce their damage to the environment. Under applicable circumstances, relevant wastes are classified and recycled for effective reduction of waste quantities and undertaking of corporate social responsibility. As the main business of the Company is logistics warehousing, only a small amount of office hazardous waste is produced, mainly including toner cartridges used in office printing equipment. We collect the used cartridges and arrange specific recyclers to recycle and dispose of them appropriately. The Company's major type of non-hazardous waste is domestic garbage.

To reduce unnecessary wastes generated during operations, the Company strives to identify the recyclable wastes and allocate resources for recycling them as much as possible. Employees regularly collect and handle different types of solid wastes according to their classification. Recyclable wastes, such as paper, plastics, etc. are sent to recyclers for appropriate handling. We promote a paperless office, adopt electronic filing as much as possible, use electronic communications internally, encourage staff to reduce the use of printers and use double-sided printing as much as possible. Waste reduction measures continue to be effective, and the total amounts of non-hazardous waste and hazardous waste produced by the Company decreased compared with those of previous years.

Waste reduction target

Total amount of waste generated reduced by 10% compared with that of 2020.

4 We did not set out any quantified GHG emissions target due to its immateriality to sustainable development strategy and business operation.

5 The canteen fuel data collected in 2021 were incorrect and the relevant air emissions data have been corrected.

The following table sets out the total amount and intensity of wastes generated by the Company for the past 3 reporting years:

	2022	2021	2020
Number of operating facilities	**6**	6	6
Total amount and intensity of non-hazardous wastes generated			
(tonne)	**2.40**	3.53	2.76
(tonne/operating facility)	**0.40**	0.59	0.46
Total amount and intensity of hazardous wastes generated			
(tonne)	**0.0033**	0.0042	0.0085
(tonne/operating facility)	**0.0005**	0.0007	0.0014

Use Of Resources

The Company is aware of its social responsibility in maintaining environmental sustainability. It is constantly looking for a business model that reduces resources and energy consumption in order to move towards green operations. Since our operations are mainly confined to the office and warehouse environment, which have limited impacts to environment, it is our priority to cultivate a green business culture. The Company has worked out policies and guidelines for green offices and warehouses in the logistics park to reduce resources consumption by giving priority to incorporating environmental sustainability in operations through working together with employees to reduce cost, risks and environmental impact. The management of use of resources covers three aspects: raising employees' awareness, administrative measures and managing equipment. The Company issues an energy conservation notice to all employees in the office; small posters are posted in the office to remind our employees to save energy; and our employees are required to turn off lights in their respective areas before leaving the office.

Energy consumption efficiency target

- Consumption of electricity reduced by 3% compared with that of 2020
- Consumption of water reduced by 3% compared with that of 2022

Electricity Conservation

- Using LED energy-efficient lighting: the Company's road lamps have all been replaced with LED lamps
- We have shut down two thirds of the unnecessary lighting road lamps in offices and warehouses, and also two thirds of the lighting lamps in warehouses
- If there are operational issues with energy-consuming equipment, employees are required to timely report to their department heads for arranging repair of electrical equipment as soon as possible
- Employees are educated to switch off lighting, fans, and air-conditioners, etc. when they are not in use
- Purchasing split type air conditioners to replace central air conditioners
- Implementing control on electricity consumption in accordance with our internal Regulation on Energy Conservation and Consumption, requiring employees to take actions in energy conservation and emission reduction, and setting and maintaining temperature of air-conditioners at 26℃

Water Conservation

- Automatic flushing systems are installed in washrooms
- If there are leakages or operational issues with water-consuming equipment, employees are required to timely report to their department heads for arranging repair as soon as possible
- Total water consumption is reported on a monthly basis for regular evaluation of the effectiveness of water conservation
- Notes to remind staff to conserve water are posted in our staff lounge
- Using split type air conditioners to replace central air conditioners that consume more water
- Installing water meters in accordance with government requirements for industrial parks to control use of water

Use Less Paper

- Promoting green office to increase the use of electronic files to replace printouts
- Using the Internet as much as possible for internal communication to reduce use of paper
- Employees are encouraged to use double-sided printing and reuse wastepaper printed single-sided

The Company has proactively implemented various strategies to improve resource efficiency and reduce damages to the ecological environment. Relevant awareness promotion campaigns on energy conservation and emission reduction are arranged on a regular basis, which help employees develop working habits of energy conservation and environmental protection. Furthermore, we have also adopted advanced technology to reduce energy consumption. We have installed geothermal pumps in warehouse facilities to use geothermal energy on the surface of the earth for energy exchange and heating up circulatory water within the central air-conditioning system. The amount of water used in geothermal pumps for heating circulatory water is 50 m^3 per hour. The principle behind that is to use the difference in temperature between underground water and surface water for heating the water within the geothermal pumps. Heated water would then be discharged underground, and water would not be lost nor polluted during the process. As for using packaging materials, the Company's principal business is logistics and warehousing, therefore no packaging of finished goods is required under normal situation. During the Reporting Year, the Company's total electricity consumption was reduced by 29% compared with that of the previous year, while total water consumption was decreased by 60% compared with that of the previous year.

The following table sets out the Company's consumption and intensity of resources for the past 3 reporting years:

	2022	2021[6]	2020
Number of operating facilities	**6**	6	6
Mobile sources consumption[7]			
Gasoline consumption (L)	**1,665**	2,389	1,990
Gasoline consumption (kWh)	**15,109**	21,461	18,121
Diesel consumption (L)	**0**	0	4,601
Diesel consumption (kWh)	**0**	0	46,163
Mobile sources consumption intensity[8] (kWh/operating facility)	**2,518**	3,577	10,714
Stationary sources consumption[9]			
Liquefied petroleum gas consumption (kg)	**348**	–	–
Liquefied petroleum gas consumption (kWh)	**4,572**	–	–
Stationary sources consumption intensity (kWh/operating facility)	**762**	–	–

6 The canteen fuel data collected in 2021 were incorrect. The mobile source consumption in 2021 should be 2,389 litres of gasoline. The relevant resources and energy consumption have been corrected.

7 The conversion factor for converting unleaded gasoline and diesel consumption from volumetric unit to energy unit is determined by reference to CDP Technical note: Conversion of fuel data to MWh.

8 The Report corrects the unit of mobile sources consumption intensity to kWh/operating facility. Data for 2020 and 2021 have been corrected.

9 This Report corrects the fuel used by stationary source canteen stoves as liquefied petroleum gas.

	2022	2021[6]	2020
Indirect energy consumption			
Electricity consumption (kWh)	**544,865**	762,156	805,177
Consumption intensity (kWh/operating facility)	**90,811**	127,026	134,196
Total energy consumption and intensity			
(kWh in '000s)	**564.5**	783.6	869.5
(kWh in '000s/operating facility)	**94.1**	130.6	–
Water consumption and intensity			
(m3)	**5,682**	10,429	5,355
(m3/operating facility)	**947**	1,738	892
Sewage discharge			
(m3)	**0**	0	259
Paper consumption and intensity[10]			
(tonne)	**0.06**	0.11	0.58
(tonne/operating facility)	**0.01**	0.02	0.10

The Environment And Natural Resources

The Company understands that daily business activities will produce different levels of emissions and have different levels of impact on the environment and natural resources. Taking into account the nature of its business and operations, the Company has identified the factors that have a greater impact on the environment and natural resources, such as the use of electric energy and the use of fuel in vehicles, and has taken appropriate measures to effectively manage environmental impact by reducing emissions and energy consumption. The Company owns five warehouses, of which four are enclosed style and one is an open-air style. The Company manages warehouses in the manner of mitigating environmental impact and their operation would proceed with reference to relevant environmental regulations, including the Regulations for Environmental Management in Construction Projects, Tentative Practices for Environmental Inspection Acceptance for completion of Construction Projects, and Work Instruction for Approval of Environmental Impact Assessment Documentation and Inspection Acceptance of Environmental Facilities Developed by Construction Enterprises in Construction Projects (Tentative). The open-air warehouse stores goods like steel materials or goods which have low impact on the environment, while the enclosed warehouses store bulk goods.

In addition, the Company also manages greening ratio in compliance with relevant local regulations. Pursuant to the Regulation for Tangshan Urban and Rural Planning and Technical Specification for Qian'an City Planning Management, the Company has greening ratio up to 18.2%, close to reaching the ceiling target.

Apart from taking effective management measures, we also attend environmental conferences hosted by the government from time to time to keep abreast of the latest laws and regulations as well as the government's development direction, make policy adjustments according to the requirements of relevant environmental departments and carry out internal publicity in a timely manner to enhance staff's environmental awareness.

10 Paper consumption is mainly from office paper for printing instead of packaging materials.

Policy For Climate Change

The management regularly assesses the risks posed by climate change to the Company, including the annual rainy season assessment of potential risks from flooding, and strives to take best measures to reduce greenhouse gas emissions from business operations, in line with the national climate change strategy. The Company has carried out climate risk assessment to identify the potential impact of climate-related risks on its business. Considering its business activities and dealing with acute physical risks such as flood that is very likely to happen, the Company has formulated the Flooding Emergency Management Plan to control possible emergencies. For prevention of damages incurred by climate change, the Company has formulated the Emergency Management Plan for Natural Disasters, detailing staff responsibilities and working principles, reporting mechanisms, evacuation systems and incident investigation requirements to help staff effectively respond to various emergency situations, for example, installation of sandbags in response to flooding caused by earthquake and extreme weather. The Company has implemented the Business Sustainability Plan to resume operation halt incurred by natural disasters or extreme weather. The Company has also established the Office Safety Management System, which requires employees to close all windows prior to typhoons, and requires regular window inspection to alleviate damages incurred during typhoons. The Company has also purchased employer liability insurance to protect the safety of employees.

With regard to other transitional climate risks, such as the policy risks of decarbonisation of business operations, moving away from carbon-intensive industries, carbon tax and carbon trading, we will also closely monitor policy trends, new costs and opportunities, assess potential risks in a timely manner and adjust the Group's ESG strategies and targets for the coming year as appropriate to enhance its capability to address climate change.

RESPONSIBLE EMPLOYMENT

The Company believes attracting and retaining talents are the keys to the sustainable development of its business. Therefore, employment standards and working environment have always been our primary concern.

As the vocational development as well as the physical and mental health of our employees are highly important to us, we strive to maintain a quality workplace where diversity, learning and respect are our core values.

Employment Standards

The Company incorporates the requirements of local employment laws and regulations of its operating regions into its employment policies to ensure that employees are treated fairly and reasonably. During the Reporting Year, the Group stringently complied with the Chinese mainland's labour laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and prevention of child and forced labour, among which are the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Women's Rights, Regulations on the Prohibition of Child Labour, Protection System for Female Workers and Underage Workers and Law of the People's Republic of China on the Protection of Disabled Persons, as well as local regulations related to employment relations. During the reporting period of 2022, the Company found no employment-related violations nor received any complaints, and there were no employment incidents with significant negative impact. The compliance with these provisions demonstrates our respect for workers' rights, which helps enhance trust, loyalty and motivation among our employees.

The following table sets out the Company's total number of employees and their distribution for the past 3 reporting years.

Total number of employees	2022	2021	2020
Gender			
Male	**9**	11	19
Female	**8**	9	11
Type of employment			
Full-time	**17**	20	21
Part-time	**0**	0	9
Age group of employees			
18 – 24	**0**	1	0
25 – 34	**8**	9	22
35 – 44	**3**	1	0
45 – 54	**2**	4	5
55 – 64	**4**	4	3
>65	**0**	1	0
Region			
China	**17**	20	30
Total number	**17**	20	30

The Company recorded an overall turnover rate of 23.5% during the Reporting Year. The following table sets out the rate of employee turnover by different types for the past 3 reporting years.

Turnover rate (%)	2022	2021	2020
Gender			
Male	**22.2**	36.3	7.0
Female	**25.0**	11.1	38.7
Age of employees			
18 – 24	**–**	0	–
25 – 34	**12.5**	33.3	5.7
35 – 44	**33.3**	100	–
45 – 54	**50.0**	0	96.0
55 – 64	**25.0**	0	0
>65	**–**	0	–
Region			
China	**23.5**	25	20.3
Total turnover rate (%)	**23.5**	25	20.3

In 2022, the Group continued to be affected by the COVID-19 epidemic and its prevention and control policies, which subsequently affected the Group's performance and caused staff turnover. Facing the problem of brain drain, the Company will examine the staff situation, conduct analysis on the results and timely adjust its human resource management policy. At the same time, the Company is working hard to improve business conditions and expects to accelerate the resumption of business and operations in the coming year, looking forward to attracting more talents.

Recruitment, Promotion and Equal Opportunities

The Company complies with national laws and policies, treats all job seekers equally, sets no unequal restrictions or unequal priority/preferential policies, and provides job seekers with equal competition opportunities. Recruitment procedures are open and transparent, subject to any supervision, and no backroom deals are allowed. According to the Measures Governing Human Resources and other relevant regulatory frameworks formulated by the Company, outstanding candidates are recruited by various means based on the principles of fairness, impartiality and openness. The Company has developed a set of sound recruitment system to detail and regulate recruitment arrangement, form, process and evaluation. The Human Resources Department is the dedicated team for recruiting candidates for the Company, taking full charge of the development, arrangement and implementation of recruitment plans as well as the assessment of candidates. Recruitment of senior-level candidates is directly led by the general manager and assisted by the Human Resources Department. Upon completion of recruitment process, the Human Resources Department conducts a review and collects opinions from job seekers and new employees, and evaluates whether there is any room for improving the recruitment process so as to enhance the entire process continuously.

Moreover, the Company treats each employee equally and considers matters such as employment, wages, benefits, rewards, promotion and dismissal totally based on the education level, professional qualifications and work capability of each employee. Male and female employees are treated equally.

The Company formulates relevant compensation management measures, evaluates and adjusts the salary range of different ranks regularly according to its situation, the overall market situation and individual work performance. Moreover, employees are able to grow within the Company, which benefits both the employees and the Company. The Company has also formulated a promotion policy to motivate employees and build a fair, impartial and open promotion mechanism within the Company. Promotion is based on three key principles: (I) possession of integrity and competence which are of equal importance; (II) equal opportunities; and (III) the combination of career ladder promotion and "exceptional promotion".

The Company has various promotion schemes. Apart from seniority as a general rule, work performance and level of commitment are also important criteria for evaluating promotion. The Company has a performance appraisal score sheet as a way of assessment; the general way of assessment is evaluation on work performance conducted by the responsible department manager. In addition to the quarterly evaluation by the superior of individual employee's performance, in order to strengthen solidarity within departments and boost initiatives among employees, the Company also has quarterly evaluation of departmental performance, through which departments evaluate one another's performance with clear and transparent scoring methodology.

Anti-discrimination

The Company prohibits any acts of discrimination because of ethnicity, skin colour, nationality, language, wealth, social origin, social status, age, gender, sexual orientation, race, disability, pregnancy status, belief, political faction, membership of an association or marital status in all aspects covering employee recruitment, promotion, development, penalty, benefits and termination of labour contracts in an attempt to achieve workforce diversity.

Employee Benefits

The Company strictly abides by national laws and regulations related to human resource, providing annual leave, marriage leave, maternity leave and paternity leave. The Company's basic employee benefits are comprised of social insurance and year-end bonus, and other benefits including subsidies for heating facilities in winter as well as those for sunstroke prevention and cooling facilities in summer. The Company also has staff dormitory and free canteen to enhance its staff's sense of belonging and boost their morale.

Moreover, the Company firmly believes that having an outstanding team is a way to ensure the long-term development of the Company, and upholds the philosophy of "being people-oriented, having good intentions towards others, keeping abreast of the times and achieving mutual growth and prosperity" in its operation.

Therefore, we value employees as an important asset and the Company attracts employees by providing remuneration that is no lower than or even higher than the market level. In selecting new candidates and cultivating talents, we pay attention to their mentality and adhere to the selection and cultivation of employees who have both integrity and competence, requiring that employees must work diligently, be dedicated to their work, be honest and upright, have a sense of responsibility, be able to understand and respect each other, value teamwork and stay aggressive with a spirit of learning.

Work-Life Balance

Employees are the most important core assets of the Company. The Company carries out operations by heart, cares about the needs of its employees and places emphasis on a balance between the work and life of employees. A relaxed life of employees can help improve the overall operational efficiency of the Company. In view of this, the Company strictly complies with the Labour Contract Law of the People's Republic of China to safeguard the number of working hours and rest days of employees.

Compensation and Retirement Arrangement

The Company initiates compensation and retirement procedures (including the payment of compensation, indemnity and planned retirement arrangements) in accordance with the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and other relevant laws and regulations.

Labour Standards

The Company complies with relevant laws and regulations and strictly prohibits child labour or forced labour. During the recruitment process, the Human Resources Department strictly checks the identity documents of the applicants to ensure that they have reached the legal minimum age, and verifies their photos before they apply for jobs. The Company respects the rights and interests of employees in terms of employment, resignation, overtime work and personal freedom. Relevant policies are formulated to ensure that all employees work on a voluntary basis. Any form of forced labour is strictly prohibited, including confiscating personal documents, requiring deposit at the time of beginning work; and employees are never forced to work overtime. Employees who voluntarily work overtime due to project rush will be entitled to money or leave compensation in accordance with the laws. All employees have the right to resign within a reasonable notice time-frame as specified in their employment or related contracts. If child labour or forced labour is found in our operations, we will also deal with and eliminate such violations in accordance with the law.

Occupational Safety And Health

To ensure the occupational safety and health of employees is the responsibility of an enterprise, and the Company has been outstanding in this respect by establishing a comprehensive, complete and effective occupational health and safety management system. The Company provides employees with personal safety protective tools, including raincoats, rain shoes, hard hats, insulating shoes, gloves, masks, etc., as well as medical supplies and epidemic prevention supplies, including protective clothing, face masks, disinfectant alcohol and 84 disinfectant, etc. Safety in the workplace, safety in operational procedures and education of staff to cope with some possible accidents are also our focus, therefore, the Company offers safety training to staff, including new staff. During the Reporting Year, the Company offered a total of 24 hours of training on occupational safety and health to its employees. Due to the nature of the logistics industry, access to the workplace is not limited to our employees, and we also have a safety and health policy in place in this respect.

The Group attaches great importance to the safety of its warehouse. We understand that to maintain the fire safety of warehouse logistics is also our commitment and responsibility for the safety of employees, company property and customer property. We have put in place a sound fire protection system, with dedicated personnel conducting regular fire protection patrols to inspect fire protection facilities and equipment, as well as regular annual inspections. According to the policy requirements, we identify security risks and draw the safety level diagram of the warehouse interior, and use different colours to distinguish the safety level. At the same time, we develop a fire safety evacuation management system; each floor of the warehouse is equipped with fire-prevention doors and escape maps are posted in prominent places. In addition, we also clearly stipulate the safety management of electricity and fire.

The Company complies with relevant occupational safety and health laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Law of the People's Republic of China on Production Safety and Fire Protection Law of the People's Republic of China, etc. During the reporting period, there was no violation of the laws of the People's Republic of China on occupational health and safety.

Workplace Safety

Besides employees, outsiders are also required to comply with the Worksite Admission Notice which imposes control over individuals entering and exiting worksites, while vehicles entering and exiting worksites are also subject to the following restrictions:

(i) Restriction on access to certain areas;

(ii) Speed limit on vehicles;

(iii) Requirement for the size of vehicles. For example, vehicles which are too long, too wide, too high or too heavy are not permitted to enter.

In addition, the Company has developed appropriate safety management systems and procedures according to the logistics business' operation process.

Loading and unloading operation management and the safety and maintenance of lifting equipment are among the important aspects of the Company's safety management. Forklifts and gantry cranes are extensively used in our routine operating procedures. Due to the complexity of their operation, the Company has documented relevant requirements for their management. The Company has a work safety officer and a work safety administrator, and provides them with appropriate training to ensure safe operation in the workplace.

Loading & Unloading

- Formulate Loading and Unloading Management Policy
- Allowing employees to understand safe execution of this important work procedure depends on the strict compliance of and cooperation from all employees

Lifting

- Formulate Policy for the Operation of Lifting Equipment to ensure work safety in routine operations
- Machinery and equipment are inspected and maintained regularly, and inspection is arranged biannually
- Each inspection must be carried out according to the relevant operating manuals or documentation before the use of equipment. If the equipment has not been used for a period of time, it can be used only after the safety of such equipment is confirmed
- Personnel involved in installation or maintenance of lifting machinery must have relevant operating certificates

Forklifts

- Formulate Rules for the Operation, Maintenance Management and Safe Operation of Forklifts
- Forklifts must be operated by specialist drivers
- Items for routine inspection and maintenance are all clearly specified to ensure employees clearly understand what the requirements are
- Operational routes and speed limits are stipulated to avoid accidents as far as possible

Gantry Cranes

- Formulate the Policy for the Management of Safety of Gantry Cranes
- Employees are required to receive specialist training, do practices and receive technical and operational safety assessment before operating these cranes
- Before operating these cranes, employees must complete the work process involving "Five Handover and Three Inspection Items" and strictly comply with the principle of "Not to Lift under Ten Situations"

Safety and Emergency Response Plans

Despite it is difficult to predict accident occurrence, the Company aims at equipping employees with knowledge on safety and emergency response to reduce casualties and losses in the event of accidents. Therefore, the Company has developed relevant management systems and emergency plans for identified security risks, such as providing regular fire emergency drills, and formulating the Emergency Response Plan for Lifting Equipment to prevent and deal with items falling from a high altitude as well as the loss of control, toppling over and boom break of cranes during the use of lifting equipment. In response to COVID-19, the Company also quickly developed the Epidemic Prevention and Control Management System and the Epidemic Prevention and Control Emergency Response Plan, which set out the prevention and control measures during the pandemic and the responsibilities of each staff team, and the reporting and recording mechanism are stipulated to help staff respond to various emergencies under the epidemic in a systematic and rapid manner.

Fire and emergency drills

- Post fire evacuation routes in all workplaces to clearly instruct employees on the safe route to leave the scene
- Arrange fire drills for staff and invite other partners such as contractors to participate

Emergency Response Plan for Lifting Equipment

- Uphold the principles of “Safety comes first, precaution is top priority” and “Priority is given to the protection of employee safety and the environment”
- Set up an emergency response leading team to deal with on-site accidents
- Define requirements for first aid supplies preparation, relevant drills and training, communication channels and division of labour for personnel

Epidemic Prevention and Control Emergency Response Plan

- Establish a command team for epidemic prevention and control
- Strictly implement the prevention and control and notification measures of regional government
- Maintain a clean working environment and proper ventilation
- Search for and procure prevention and control materials
- Notify and record relevant cases

Rectification Plan for Key Safety Aspects

In order to carry out complete rectification, as well as to detect and prevent safety hazards as early as possible, the Company has formed a dedicated safety team with members comprising the Company's employees and contractors to identify safety hazards in the Company in stages and work out corresponding measures for improvement. The plan aims at rectifying the following four critical areas:

(i) Inspection on safety of firefighting facilities;

(ii) Inspection on safety of electricity use;

(iii) Inspection on safety of special equipment;

(iv) Inspection on transport safety.

The following table sets out the number and rate of work-related fatalities and number of lost working days due to work injury for the past 3 reporting years.

	2022	2021	2020
Number and rate of work-related fatalities	**0**	0	0
Number of lost working days due to work injury	**0**	0	0

Development And Training

Talent capital and development has always been the focus of the Company. We continue to improve our standard of human resources management, and deeply believe that the value brought to the Company by talent is enormous. The Company continues to improve its personnel development and training scheme, formulates annual training plan and provides employees with different types of training, including safety management ability training, professional skills training and financial ability training. We are committed to providing employees with professional growth opportunities, so as to facilitate their career development and meet the needs of the Group's long-term business development. In addition, our Hong Kong headquarters also covers the training cost of eligible employees, so as to encourage employees' proactive participation in training courses conducted by professional institutions, with a view to raising their professional skills and knowledge.

Furthermore, to encourage continual development of employees and establish a highly qualified team, the Company has set up a staff scholarship system in addition to provision of subsidies for job-related training. Employees graduated at college level or above are entitled to a one-off scholarship, which serves as the Company's incentive to encourage employees studying in their leisure time.

The following table sets out the percentage of trained employees by different types in the Company for the past 3 reporting years:

Percentage of employees trained (%)	2022	2021	2020
Gender			
Male	**22.2**	18.1	28.1
Female	**25.0**	22.2	0
Employee Category			
Senior management	**0**	0	–
Supervisor	**100**	100	53.8
General staff	**21.4**	29.4	13.0

During the Reporting Year, the Company offered a total of 118 hours of training to employees, substantially updating their skills and knowledge, application of occupational safety and health guidelines and environmental awareness. The following table sets out the average training hours per employee by gender and employee category:

	2022	
	Total training hours (Hour)	Average training hours per person (Hour/person)
Gender		
Male	**78**	**8.7**
Female	**40**	**4.4**
Employee Category		
Senior management	**0**	**0**
Supervisor	**40**	**40**
General staff	**78**	**5.6**

OPERATION PRACTICES

Supply Chain Management

Quality of service is closely related to the performance of the contractors. When deciding whether to include potential suppliers or contractors on the approved list, their reputation, background, experience, past performance, punctuality of delivery and their performance in safety, quality, environmental and security management will be taken into account. In addition, to promote the use of environment-friendly products and services, the Company will identify and assess the environmental and social risks associated with suppliers/contractors. In selecting suppliers/contractors, we will give priority to their compliance with the following criteria:

(i) Institutions obtaining green or environmental certification

(ii) Institutions in compliance operations (e.g. no child labour, no corruption)

(iii) Institutions obtaining awards or certificates related to corporate social responsibility

(iv) Supplied products contain materials with environment-friendly characteristics

(v) Supplied products are energy-efficient products or equipment

During the Reporting Year, as a warehousing service company, the Company engaged a total of 5 service providers/contractors that primarily provide services for security companies, forklifts and transportation, and all are located in the Chinese mainland. All of our suppliers/contractors have obtained environmental certification. Qualified contractors/suppliers are enlisted in the Approved Contractor/Supplier List, and only contractors/suppliers on the list can be engaged for relevant services or procurement contracts. If the performance of a contractor/supplier is unsatisfactory or fails to meet contractual requirements, the contractor/supplier will be removed from the list upon approval of the management team. In accordance with the Contract Law of the People's Republic of China, the Company develops transport contracts with clear responsibilities to ensure the stability of supply chain management.

In order to strengthen the management of contractors' personnel entering and leaving factory buildings, the Company has established the Policy for the Management of Contractors' Personnel to ensure that contractors understand and conform to the Company's environmental and safety requirements before they begin to work.

In addition, the Company conducts a safety qualification assessment of contractors on a trial basis, whereby contractors are engaged only if the assessment results meet the set criteria. After they are engaged, we also adopt an evaluation method (the score will be determined by the Company's internal assessment rules) on a trial basis under which those contractors with excellent scores will be given priority in undertaking projects in the future, while those with unsatisfactory evaluation scores might not be considered. For enhancing transparency, the scope and details of evaluation is detailed in the Policy for Work Safety of Outsourced Projects. Moreover, meetings are also convened with contractors by the Company, so as to facilitate communication on relevant critical areas of environmental protection and safety.

During the Reporting Year, the Company experienced a slight increase in the logistics and warehousing business, but continued to face the risk of supply chain and customer chain disruptions. We made efforts to expand our customer base, actively planned to re-manage and establish the supply and customer network related to the commodity trading business, and assisted in introducing and arranging the supply and customer network through all available channels.

Service Quality

The Company attaches great importance to the quality of warehousing and logistics services we provide. According to the above safety management system and supply chain management system we have developed, we strive to provide a quality and safe warehousing environment. At the same time, we listen to customers' feedback and requirements, continue to enhance and improve our services, and commit ourselves to service innovation and diversified development. We set up a customer service channel where customers can express their opinions or complaints through WeChat, phone, email, etc. Customer service staff will investigate and verify complaints and give appropriate responses to customers within a specified timeframe.

In order to adopt strict confidentiality measures, prevent data leakage and enhance the management of intellectual property rights, we are required to sign confidentiality agreements when entering into service/procurement contracts with our contractors/suppliers. Also, a confidentiality agreement must be signed with employees, who are required to abide by the policies and local regulations related to privacy of personal information, before they are on board, so as to protect customer information.

The following table sets out the percentage of products recalled due to safety and health reasons and the number of complaints related to products and services for the past 3 reporting years.

	2022	2021	2020
Percentage of products recalled due to safety and health reasons (%)	**0**	0	0
Number of complaints related to products and services	**0**	0	0

During the Reporting Year, the Company strictly complied with relevant laws and regulations regarding the security and privacy of the services it provided, including the Civil Code of the People's Republic of China, and did not identify any legal non-compliance related to responsibilities of products or services. Due to its business nature, the Company is not aware of any laws or regulations that have a material impact on its business relating to advertising and labelling of the services it provided.

ANTI-CORRUPTION

In order to foster a proper enterprise atmosphere, the Company has established a mechanism to prevent bribery, extortion, fraud and money laundering. Through integrity education, improving the supervision system, and strengthening the reporting and accountability system, the Company continues to regulate the decision-making acts of its business management and strengthen the awareness of anti-corruption and integrity of the employees, so as to protect its reputation and economic benefits. The Company requires employees to abide by relevant laws and regulations and prohibits all forms of fraud and corruption practices, including prohibition of all employees requesting or accepting commission, rebate, bonus, loan, gift or benefit from any person, company or institution that has business relationship with the Group, unless with the approval of the Board and subject to compliance with relevant laws and regulations.

Anti-corruption and anti-bribery are essential elements in creating a fair business environment; the Company strictly implements the following controls:

(i) We ensure that the management team proficiently understands national policies against business corruption and those related to integrity, so they can lead the Company's operating activities, strengthen supervision and make corrections in case of any loophole identified;

(ii) In the processes of procurement and sales, discounts are required to be clearly listed on the invoices whenever feasible;

(iii) For the staff from the Accounting Department, their awareness of integrity is established to ensure they are aware of the severity of falsification of account;

(iv) Annual financial audit is conducted to monitor the related performance of the employees in the Accounting Department.

Directors and employees are required to comply with the Prevention of Bribery Ordinance, the Group prohibits acts mentioned below:

1. Directly or indirectly obtain from or give to any individuals, government officials or any association, institution or other persons related to the Group's business any form of inappropriate advantages;

2. Participation in any form of acts as giver and acceptor of bribe and bribery, including but not limited to fraud, blackmail, money laundering, fees for inappropriate acts of convenience and insider trading;

3. Directly or indirectly provide or give or demand or obtain valuable gift or money that can be considered as intentional or intended to affect the business decisions of the Group. Gift exceeding a specified sum of money can only be provided or obtained in the normal course of business after obtaining the approval from the direct supervisor.

The Company, in compliance with control requirements, has established a bribery whistle-blowing mechanism, which plays a crucial role in the entire anti-corruption process. Upon receipt of the related report, the Company keeps the identity of any whistle-blower, reported content and the status of investigation confidential, and cooperates with relevant departments for investigation.

During the Reporting Year, although the Company did not offer anti-corruption courses and training to its directors and employees, we did not identify any legal non-compliance or complaint related to violation of the Anti-Corruption and Bribery Law of the People's Republic of China or the anti-corruption laws and regulations of the jurisdictions where our business was conducted. If employees are concerned in following the means in reporting, direct contact with the independent non-executive directors of Silk Road instead of discussing with any persons in charge is recommended.

The following table sets out the number of concluded corruption litigation cases brought against the Company or its employees and the outcomes of the cases.

	2022	2021	2020
Number of corruption litigation cases brought	**0**	0	N/A
Number of concluded corruption litigation cases	**0**	0	N/A

To strengthen anti-corruption and bribery awareness of employees, the Group will strive to arrange employees to join anti-corruption classes to ensure employees understand the importance of anti-corruption for fostering a healthier corporate culture.

COMMUNITY

Community Participation

The Company has been caring and contributing to society over the years through different channels. The scope of participation includes aspects like poverty alleviation, education, and environmental protection, etc., for example, the provision of emergency food assistance, safe production training and pollution survey training. The Group understands that serving the community requires collaboration among different parties.

In the past, we partnered with related charity bodies, such as St. James' Settlement People's Food Bank, or other professional institutions to conduct training or activities. The Company is also aware of climate change, which is a global crisis, and is determined to contribute towards environmental protection. Therefore, it works on preparedness against natural disasters and extreme weather in the logistic centre so that the community is better prepared for the impact incurred by climate change. The Group is also aware of its social responsibility and hopes to give back to society as much as possible. During the Reporting Year, we did not provide assistance in relation to the social or environmental issues of concern in the past or contribute any resources.

OUTLOOK

We are eager to continue to promote the business development of Silk Road Logistics (Qian'an) Co., Ltd. With the increasing attention of regulators and investors to sustainable development issues in recent years, we actively respond to the needs of the national market, take into account the national environmental protection and social risks related to the industry, and strive to establish and improve more environmental policies, measures and risk monitoring management system of the Group. We actively set quantifiable goals, integrate ESG work into relevant business strategies and further incorporate sustainability elements into our business philosophy. The Group will also continue to review its corresponding policies, strategies and objectives to improve the performance and disclosure of ESG reports and make adjustments where appropriate to actively foster a sustainable environment.

Environmental, Social and Governance Report

HKEX ESG REPORTING GUIDE INDEX

HKEX ESG Reporting Guide Subject Areas, Aspects, General Disclosures & KPIs		Explanation/Reference Chapter
Aspect A Environmental		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: • Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. • Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. • Hazardous wastes are those defined by national regulations.	Environmental Management
KPI A1.1	The types of emissions and respective emissions data.	Environmental Management – Air Emission Control
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management - Monitoring Greenhouse Gas ("GHG") Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Management – Air Emission Control Environmental Management - Monitoring Greenhouse Gas ("GHG") Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Management - Waste Management
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Management - Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Management - Use of Resources

HKEX ESG Reporting Guide Subject Areas, Aspects, General Disclosures & KPIs		Explanation/Reference Chapter
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Management - Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management - Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management - Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Company's principal business is logistics and warehousing. Therefore, it is generally not necessary to package the finished products.
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Management - The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management - The Environment and Natural Resources
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Management - Policy for Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Management - Policy for Climate Change
Aspect B Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Responsible Employment - Employment Standards
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Responsible Employment - Employment Standards
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Responsible Employment - Employment Standards
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Responsible Employment - Occupational Safety and Health

HKEX ESG Reporting Guide Subject Areas, Aspects, General Disclosures & KPIs		Explanation/Reference Chapter
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years (including the reporting year).	Responsible Employment - Occupational Safety and Health
KPI B2.2	Lost days due to work injury	Responsible Employment - Occupational Safety and Health
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Responsible Employment - Occupational Safety and Health
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Responsible Employment - Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Responsible Employment - Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category	Responsible Employment - Development and Training
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Responsible Employment - Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Responsible Employment - Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Responsible Employment - Labour Standards
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Operation Practices - Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Operation Practices - Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operation Practices - Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operation Practices - Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operation Practices - Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operation Practices - Service Quality

HKEX ESG Reporting Guide Subject Areas, Aspects, General Disclosures & KPIs		Explanation/Reference Chapter
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operation Practices - Service Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operation Practices - Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Due to its business nature, the Company does not have any issues relating to the protection of intellectual property rights.
KPI B6.4	Description of quality assurance process and recall procedures.	Operation Practices - Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operation Practices - Service Quality
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevent bribery, extortion, fraud and money laundering.	Operation Practices - Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operation Practices - Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operation Practices - Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operation Practices - Anti-Corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community - Community Participation
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community - Community Participation
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	Community - Community Participation

Report of the Directors

The directors of Silk Road Logistics Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 43 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year and an indication of likely developments in the Group's business, as required by Schedule 5 to the Companies Ordinance, is provided in the section "Management Discussion and Analysis" on pages 7 to 14 and the "Statement from the Board" sections of this report. The above sections form part of this Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties that the Group faces during its operation. Such risks and uncertainties include factors such as economy conditions of both inside and outside China and United States, PRC's foreign exchange policies, changes relating to laws and regulations and enforcement policies, and the price and supply of raw materials. While these risks continue to exist, the Group will closely monitor any signs of these occurrence and all departments of the Group will be involved in identifying and evaluating risks relating to their operational scope. Subsequently, appropriate plans will be devised to minimize the impacts derived from risks and uncertainties confronting the operation of the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE AND COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group is committed to maintain an environmental friendly strategy by ways of minimizing pollution and wastage dispose to the environment, energy saving, low carbon emission, and emphasizing on recycling. The offices were aimed in minimizing the use of papers and consumables, and concentrated in the use of electronic media. The Company's major subsidiary located in Hebei is carrying on business of logistics and warehouse. This subsidiary adopted the Company's above environmental policies. The major subsidiary manages warehouse in the manner of mitigating environmental impacts. The open-air warehouse is used to store goods which have a low impact on the environment while the enclosed warehouses are used to store bulk goods which may have more impact on the environment. Through the warehouse management policy and continuing and closely monitor the warehouses operations, pollution generated in the operation process from these warehouses was low. Besides, sufficient provision was made for the assets retirements in the oil companies to ensure a minimal damage to the environment. The Group is consistently reviewed the compliance on environmental policies in each location to ensure the compliance of relevant laws, rules and regulations, and consistently enhance our standard to increase our contribution to the environment.

On 23 May 2022, the Company received a letter from the Stock Exchange notifying that the Listing Review Committee decided to up hold the Listing Committee's view that the Company has failed to maintain a sufficient level of operations to comply with Rule 13.24 of the Listing Rules, and trading of shares of the Company has suspended since 24 May 2022. Please refer to "Management Discussion and Analysis" section of this report for details. The Company had been communicating with professional consultants and potential business partners to explore different business options and opportunities and working for a viable solution to resume trading of shares.

During the year, as far as the Company is aware, save as above, there was no material breach or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

Report of the Directors

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2022 and the Group's financial position at that date are set out in the consolidated financial statements on pages 80 to 171.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The recommendation, declaration and amount of the dividends shall be determined at the sole discretion of the Board. In deciding whether to propose or pay dividend and the dividend amount, the Board shall take into account, inter alia, the Group's financial performance, the operations, earnings, the liquidity position of the Group, the Group's working capital requirements and future development requirements, general business conditions and strategies, the Bye-laws of the Company, legal statutory and regulatory restrictions and any other factors that the Board deem appropriate and relevant at such time. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 173 to 174, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15to the consolidated financial statements on pages 131 to 132.

OTHER BORROWINGS

Details of other borrowings of the Group are set out in note 28 to the consolidated financial statements on page 146.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company had no reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 91.29% (2021: 96.22%) of the total sales for the year and sales to the largest customer included therein amounted for 40.87% (2021: 39.29%). Purchases from the Group's five largest suppliers accounted for 100% (2021: 72.82%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 100% (2021: 42.74%).

To the best knowledge of the Directors, none of the Directors or any of their associates or any shareholders holding more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors who were in office during the year and those as at the date of this report are as follows:

Executive Directors:
Mr. Cheung Ngai Lam
Mr. Chung Wai Man

Non-executive Director:
Mr. Ouyang Nong

Independent Non-executive Directors:
Ms. Choy So Yuk
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund
Ms. Ang Mei Lee Mary

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Cheung Ngai Lam, Mr. Ouyang Nong and Mr. Chen Wai Chung Edmund will retire from office by rotation at the forthcoming annual general meeting and being eligible, Mr. Cheung Ngai Lam will offer himself for re-election as executive Director, Mr. Ouyang Nong will offer himself for re-election as non-executive Director and Mr. Chen Wai Chung Edmund will offer himself for re-election as independent non-executive Director.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Each of the independent non-executive Directors (except Ms. Choy So Yuk ("Ms. Choy")) has served the Company for not more than 9 years. The Company considers these independent non-executive Directors to be independent.

Ms. Choy has served as an independent non-executive Director for more than nine years. In addition to her confirmation of independence pursuant to Rule 3.13 of the Listing Rules, Ms. Choy continues to demonstrate the attributes of an independent non-executive Director and there is no evidence that her tenure has had any impact on her independence. Ms. Choy is not involved in the daily management of the Group nor in any relationships or circumstances which would interfere with the exercise of her independent judgment. In view of Ms. Choy holds a wide variety of political, social and academic positions, which the Board believes that she is capable to provide constructive contributions as well as wide spectrum of independent opinion to the Company. Hence, the Board is of the opinion that Ms. Choy has the required charter, integrity, experience and knowledge to continue fulfilling the role of an independent non-executive Director effectively and is of the opinion that Ms. Choy remains independent and believes that her experience continues to generate significant contribution to the Company and is beneficial to its shareholders as a whole.

MANAGEMENT CONTRACT

No contract for management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 20.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The remuneration policy of the Group is based on the employee's qualifications, experience, performance and contribution and with reference to the current market conditions, industry practice and assessment of the performance of the Group. The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are recommended by the remuneration committee of the Company and determined by the Board with reference to Directors' duties, qualification, responsibilities and performance of the Directors, the results of the Group and the market practice. Details of emolument of the Directors are set out in note 10 to the consolidated financial statement.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and senior management of the Company is currently in force and was in force throughout the year. The Group has arranged appropriate Directors and Officers Liability Insurance for the year to minimize the risks of Directors and senior management for the performance of their corporate duties.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTION

On 27 January 2022, the Company as borrower entered into the loan agreement (the "Loan Agreement") with Yick Chuen Credit Limited ("Yick Chuen") as lender, pursuant to which Yick Chuen agreed to advance the loan with a maximum principal amount of HK$10,000,000 (the "Loan") to the Company for a term of two years from the respective drawdown dates at an interest rate of 10% per annum. Subject to the approval of the shareholders of the Company at the special general meeting, the Loan would be secured by (i) the share charge executed by City Joint Investments Limited charging the shares of Wealth Delight International Holdings Limited ("Wealth Delight"); and (ii) the deed of assignment executed by Shanghai Industrial Commodities Trading Limited in relation to the assignment of all debts owed to Shanghai Industrial Commodities Trading Limited by Wealth Delight, both the share charge and the deed of assignment would be in favour of Yick Chuen, as continuing security for the repayment obligation of the Company under the Loan Agreement. City Joint Investments Limited, Wealth Delight and Shanghai Industrial Commodities Trading Limited are the wholly-owned subsidiaries of the Company.

At the time of execution of the Loan Agreement, Yick Cheun was a substantial shareholder and a connected person of the Company, the transaction contemplated under the Loan Agreement constituted connected transaction for the Company under the Listing Rules. Further details have been disclosed in the announcements of the Company dated 27 January 2022 and 19 April 2022 and circular of the Company dated 18 March 2022.

RELATED PARTY TRANSACTION

A summary of the related party transactions entered into by the Group during the year ended 31 December 2022 is contained in note 38 to the consolidated financial statements. The related party transactions did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2022, 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 position in the shares and underlying shares of the Company			
Name of Director/Chief Executive	Number of ordinary shares	Nature of Interests	Total	Approximate percentage of the issued share capital
Ms. Choy So Yuk	27,190(L)	Personal interests	27,190(L)	0.01%
Mr. Meng Fanpeng	48,000(L)	Personal interests	48,000(L)	0.01%

L – Long position

Save as disclosed above, as at 31 December 2022, 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 Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that employees are valuable assets and the key element to sustain its growth and development. Thus the Group maintain a competitive remuneration package, discretionary bonus, training and occupational health and safety to retain the employees. The Group will consistently review the remuneration packages so as to competitive with the market. Further, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Customers and suppliers are another important elements for the Group to success. Thus the Group would value good relationship with the customers and suppliers by ways of providing high quality services and products to the customers, as well as maintaining a mutual trust and commitment with the suppliers.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 June 2017 (the "Scheme") for the purpose of providing incentives to Participants (as defined in the 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.

Details of the Scheme are set out in note 35 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and Chief Executive" above, as at 31 December 2022, 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)	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%
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%

Report of the Directors

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 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)]	Directly owned	Long position	43,822,412	6.83%

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 holds (a) 76,380 Shares in person; and (b) 53,831,770 Shares beneficially through her directly 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 31 December 2022, 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.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules from the date of the last annual report of the Company to the date of this annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, none of the Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 34 of this annual report.

CHANGE OF DIRECTORS' INFORMATION

The updated information on Directors required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules are as follows:

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

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

3. The service agreement of Ms. Ang Mei Lee Mary, an independent non-executive Director, has been renewed for a term of one year from 14 December 2022 with the fee and other terms remain unchanged.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of significant events of the Group occurring after the reporting period are set out in note 45 to the consolidated financial statements.

CONTINGENT LIABILITIES

(a) Pursuant to the civil complaint dated 29 November 2019 (the "Haitong Civil Complaint") filed by Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the "Plaintiff") as plaintiff with the Shanghai Financial Court, the Plaintiff claimed against Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics"), an indirect non wholly-owned subsidiary of the Company for (i) repayment of an aggregate amount of RMB197,754,190.70; and (ii) all the costs in relation to the Haitong Civil Complaint. The Haitong Civil Complaint had been accepted by the Shanghai Financial Court. The Haitong Civil Complaint was arisen from the dispute under a domestic factoring agreement dated 26 September 2018 (the "Factoring Agreement") entered into among the Plaintiff, 天津物產進出口貿易有限公司 (transliterated in English as 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 in relation to, among others, objection to the Shanghai Financial Court's judgement on the Haitong Civil Complaint and application for an order that the legal costs of the court hearing be borne by Qian'an Logistics. Qian'an Logistics has instructed its PRC legal adviser to handle all legal issues in connection with the appeal of the Haitong Civil Complaint. In September 2022, the Court issued a judgement pursuant to which the Court dismissed the appeal filed by the Plaintiff and upheld the judgement of the Shanghai Financial Court. The judgement of the Court should be the final judgement in respect of the Haitong Civil Complaint. In this case, Qian'an Logistics should not bear the Accounts Receivables and the related legal costs.

(b) Pursuant to the civil complaint dated 22 November 2019 (the "Haotai Civil Complaint"), filed by 天津浩泰恒遠國際貿易有限公司 (transliterated in English as Tianjin Haotai Hengyuan International Trading Company Limited) (the "Haotai") as plaintiff with Tianjin No. 1 Intermediate People's Court, Haotai claimed against Qian'an Logistics for (i) repaying the aggregate amount of RMB68,370,454.42, 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. The amount of RMB68,370,454.42 claimed by Haotai is included in accounts payables as at 31 December 2020. On 4 January 2021, the Group received a judgment from Tianjin No. 1 Intermediate People's Court pursuant to which the court approved the withdrawal application filed by Haotai in relation to its civil complaint against Qian'an Logistics, i.e. the Haotai Civil Complaint and the legal costs of the court should be borne by Haotai. The amount of RMB68,370,454 ("the Payable") claimed by Haotai has been included in trade payables as at 31 December 2021. On 8 July 2022, Qian'an Logistics, Haotai and 天津匯天嘉成供應鏈管理有限公司 (transliterated in English as Tinjian Huitian Jiacheng Gongyinglian Management Co. Ltd.) ("Huitian Jiacheng"), which owed Qian'an Logistics by RMB77,562,329, entered into a settlement agreement (the "Settlement Agreement") pursuant to which: (i) Haotai has assigned part of the Payable in the sum of RMB53,580,973 to Huitian Jiacheng (the "Assigned Loan") with the balance of the Payable in the sum of RMB14,789,481 (the "Residue Loan") be repaid by Huitian Jiacheng to Haotai; (ii) the Assigned Loan and the Residue Loan would be offset with the claim amount due by Huitian Jiacheng to Qian'an Logistics; (iii) Huitian Jiacheng will repay the balance of the claim amount (after offset the Assigned Loan and the Residue Loan) (the "Balance") to Qian'an Logistics. After Qian'an Logistics withdraw the claim against Huitian Jiacheng from the Tianjin No.1 Intermediate People's Court, Huitian Jiacheng will fully settle the Balance. As at the reporting date, Qian'an Logistics received approximately RMB9,200,000, thus the Balance has been fully settled.

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

AUDITORS

The financial statements have been audited by CCTH CPA Limited who retired and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. There were no other changes in the Company's auditors in the past three years.

ON BEHALF OF THE BOARD
Cheung Ngai Lam
Executive Director

Hong Kong
28 March 2023

Independent Auditors' Report

CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders of Silk Road Logistics Holdings Limited
(Incorporated in the Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Silk Road Logistics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Going concern

As disclosed in note 2 to the consolidated financial statements, the current liabilities of the Group at 31 December 2022 exceed the Group's current assets at that date by approximately HK$652,265,000; the total liabilities of the Group at 31 December 2022 exceed the Group's total assets at that date by approximately HK405,650,000; and the Group incurred net loss of approximately HK$99,586,000 for the year ended 31 December 2022.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group, as 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 a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

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

Independent Auditors' Report

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that include our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2023

Yeung May May Joey
Practising certificate number: P05205

Unit 1510-1517, 15/F, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories,
Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	7	**7,449**	13,647
Cost of sales and services		**(2,078)**	(8,069)
Gross profit		**5,371**	5,578
Other income and gains	7	**268**	263
Administrative expenses		**(37,312)**	(34,454)
Impairment of goodwill	19	**–**	(55,960)
Impairment of interests in associates	17(a)	**–**	(172,846)
Impairment of prepayments, deposits and other receivables	23(b)	**(16,457)**	(11,082)
Share of profit of associates	17	**–**	15,891
Finance costs	8	**(51,456)**	(51,199)
LOSS BEFORE TAX	9	**(99,586)**	(303,809)
Income tax credit	12	**–**	1,130
LOSS FOR THE YEAR		**(99,586)**	(302,679)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(19,567)**	7,133
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(119,153)**	(295,546)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(94,519)**	(295,153)
Non-controlling interests		**(5,067)**	(7,526)
Loss for the year		**(99,586)**	(302,679)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(107,999)**	(290,680)
Non-controlling interests		**(11,154)**	(4,866)
Total comprehensive income for the year		**(119,153)**	(295,546)

		2022 **HK$**	2021 HK$
LOSS PER SHARE	14		
– Basic		**(0.15)**	(0.48)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**148,163**	171,076
Right-of-use assets	16	**65,124**	73,294
Interests in associates	17	**–**	–
Other investment	18	**–**	–
Oil properties	20	**65,842**	65,679
Total non-current assets		**279,129**	310,049
CURRENT ASSETS			
Inventories	21	**745**	689
Trade receivables	22	**170**	–
Prepayments, deposits and other receivables	23	**28,123**	151,207
Income tax recoverable		**3,976**	4,548
Cash and cash equivalents	24	**49,877**	974
		82,891	157,418
Assets classified as held for sale	25	**–**	57,954
Total current assets		**82,891**	215,372
CURRENT LIABILITIES			
Trade payables	26	**24,849**	87,691
Other payables and accruals	27	**103,179**	132,763
Other borrowings	28	**529,627**	488,356
Promissory notes payable	29	**77,501**	69,197
Obligations under finance lease	30	**–**	33
Total current liabilities		**735,156**	778,040
NET CURRENT LIABILITIES		**(652,265)**	(562,668)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(373,136)**	(252,619)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Other borrowings	28	–	138
Lease liabilities	31	**12,273**	13,419
Assets retirement obligations	32	**5,757**	5,485
Deferred tax liabilities	33	**14,484**	14,836
Total non-current liabilities		**32,514**	33,878
Net liabilities		**(405,650)**	(286,497)
EQUITY			
Share capital	34	**64,179**	64,179
Reserves		**(537,948)**	(429,949)
Equity attributable to owners of the Company		**(473,769)**	(365,770)
Non-controlling interests		**68,119**	79,273
Total equity		**(405,650)**	(286,497)

The consolidated financial statements on pages 80 to 171 were approved and authorised for issue by the Board of Directors on 28 March 2023 and are signed on its behalf by:

Cheung Ngai Lam
Director

Chung Wai Man
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 34)	Share premium account HK$'000	Share option reserve HK$'000 (Note 36(a))	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000 (Note 36(b))	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	59,893	1,497,240	3,632	(11,174)	178,368	773,090	(2,582,139)	(81,090)	84,139	3,049
Loss for the year	–	–	–	–	–	–	(295,153)	(295,153)	(7,526)	(302,679)
Other comprehensive income for the year										
Exchange differences on translation of foreign operations	–	–	–	4,473	–	–	–	4,473	2,660	7,133
Total comprehensive income for the year	–	–	–	4,473	–	–	(295,153)	(290,680)	(4,866)	(295,546)
Issue of shares (Note 34)	4,286	1,714	–	–	–	–	–	6,000	–	6,000
At 31 December 2021 and 1 January 2022	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)
Issue of shares (Note 34)	–	–	–	–	–	–	–	–	–	–
Transferred to accumulated losses on disposal of an associate	–	–	(3,632)	–	–	–	3,632	–	–	–
At 31 December 2022	64,179	1,498,954	–	(20,181)	178,368	773,090	(2,968,179)	(473,769)	68,119	(405,650)

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(99,586)**	(302,679)
Adjustments for:			
Income tax credit	12	**–**	(1,130)
Share of profit of associates		**–**	(15,891)
Finance costs		**51,456**	51,199
Impairment of goodwill		**–**	55,960
Impairment of interests in associates		**–**	172,846
Impairment of prepayments, deposits and other receivables		**16,457**	11,082
Depreciation of property, plant and equipment		**10,214**	11,352
Depreciation of right-of-use assets		**2,491**	2,887
Accretion expenses – oil properties		**262**	248
Amortisation of oil properties		**103**	200
Interest income		**(12)**	–
Gain on disposal of property, plant and equipment		**(70)**	(96)
Operating cash flows before movements in working capital		**(18,685)**	(14,022)
Increase in inventories		**(57)**	(284)
Increase in trade receivables		**(234)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**116,008**	(11,399)
(Decrease)/increase in trade payables		**(68,761)**	5,659
(Decrease)/increase in other payables and accruals		**(35,475)**	14,680
Increase in amount due from an associate		**(18)**	–
Cash used in operations		**(7,222)**	(5,366)
Income tax recovered		**–**	831
Net cash used in operating activities		**(7,222)**	(4,535)

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**12**	–
Purchase of property, plant and equipment		**(13)**	–
Proceeds from disposal of property, plant and equipment		**70**	96
Purchase of oil properties		**(105)**	(148)
Net proceed from disposal of assets classified as held for sale		**57,748**	–
Net cash generated by (used in) investing activities		**57,712**	(52)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	37	**(6)**	(10)
New other borrowings	37	**600**	1,060
Repayment of other borrowings	37	**(1,660)**	–
Repayment of finance leases	37	**(33)**	(44)
Repayment of lease liabilities	37	**(1,163)**	(1,523)
Proceeds from issue of shares		**–**	3,000
Net cash (used in) generated by financing activities		**(2,262)**	2,483
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**48,228**	(2,104)
Cash and cash equivalents at beginning of the year		**974**	3,781
Effect of foreign exchange rate changes, net		**675**	(703)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**49,877**	974
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	24	**49,877**	974
		49,877	974

Notes to Consolidated Financial Statements

31 December 2022

1 GENERAL

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

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

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

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going Concern

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective (continued)

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where indicated.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, described as follows:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The principal accounting policies are set out below.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group has power over the investee; the Group is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the aforementioned three elements of control. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or assets acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or assets acquisitions (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (Continued)

The requirements of HKFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale transaction rather than through continuing use. This condition is regarded as met only when the assets (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the property, plant and equipment are as follows:

Leasehold land	Over the lease term
Buildings	30 years
Office equipment	10 years
Oil equipment	2-30 years
Machinery	20 years
Motor vehicles	10 years
Leasehold improvements, furniture and fixtures	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period with any change in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement is calculated as the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss in the year the asset is derecognised.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period.

Oil properties

The successful efforts method of accounting is adopted. The Group capitalises the initial acquisition costs of oil properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement and charged to profit or loss. The cost of drilling and equipping successful exploratory wells, all development expenditure on construction, installation or completion of infrastructure facilities, such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The cost of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalised and are reviewed periodically for impairment.

The capitalised acquisition costs of oil properties are amortised on a unit-of-production basis over the estimated proved and probable reserves of the relevant oil properties. Common facilities that are built specifically to service production directly attributed to designated oil properties are depreciated based on the proved and probable reserves of the respective oil properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property, plant and equipment, and land that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and are initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the leases transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured using fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is included in other income and gains.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial assets.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable date about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner, financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Amounts due from related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, other borrowings, promissory notes payable, obligations under finance leases and lease liabilities) are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Asset retirement obligation

Asset retirement obligation is recognised in full on the installation of oil properties. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related oil properties of an amount equivalent to the provision is also created. Changes in the estimated timing of the asset abandonment or asset abandonment cost estimated are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil properties. The unwinding of the discount on the asset retirement obligation is included as a finance cost.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs which it is intended to compensate are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge. Where the Group receives grant of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress · towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. These customer advances, if any, are included in other payables and accruals.

Based on the historical pattern, revenue from logistics service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from commodities and oil sales is recognised at a point in time when the commodities and oil are delivered.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price) (continued)

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled share-based payments").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled share-based payments is recognised, together with a corresponding increase in equity, over the vesting period. The cumulative expense recognised for equity-settled share-based payments at the end of each reporting period reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Where share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For the subsidiaries located in the People's Republic of China ("PRC")

(a) *Pension obligations*

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) *Medical benefit costs*

The Group participates in government-organised defined contribution medical benefits plans, under which it pays contribution to the plans at a fixed percentage of wages and salaries of the existing full time employees in the PRC and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to profit or loss as incurred.

(c) *Housing fund*

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

For subsidiaries located in United States of America ("USA")

Pension scheme

The Group contributes on a monthly basis to the Social Security Trust Fund maintained by the United States Treasury. The Federal and States governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than Hong Kong dollars. For the purpose of presenting consolidated financial statements, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income and expenses are translated into Hong Kong dollars at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Income taxes

Significant judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units (the "CGU") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2022 and 31 December 2021, the goodwill was fully impaired. No impairment of goodwill was charged to profit or loss in respect of the current year and impairment of goodwill amounted to HK$55,960,000 was charged to the profit or loss in respect of the prior year ended 31 December 2021. Details regarding the goodwill are disclosed in note 19 to the consolidated financial statements.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of investments in associates

The Group assesses whether there are any indications of impairment of associates at the end of each reporting period. Investments in associates are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available information from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment loss on investments in associates was charged to profit or loss in respect of the current year and impairment loss on interests in associates amounted to HK$172,846,000 was recognised in profit or loss in respect of the prior year ended 31 December 2021, details of which are set out in note 17.

Impairment of property, plant and equipment

The recoverable amount of an item/a group of property, plant and equipment is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods. No impairment loss on property, plant and equipment was recognised in respect of the years ended 31 December 2022 and 31 December 2021.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets relating to unused tax losses was recognised as at 31 December 2022 and 2021. Details regarding the deferred tax assets and deferred tax liabilities of the Group are disclosed in note 33 to the consolidated financial statements.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where the expected useful lives are different from the previously estimated lives and also write down technically obsolete or non-strategic assets that have been abandoned.

Provision for impairment of deposits paid

The policy for the provision for impairment of deposits paid by the Group is based on expected credit loss methodology with reference to the evaluation of collectibles and ageing analysis of accounts, forward looking information and the management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these deposits paid, including the current creditworthiness and the past history of each supplier. Provision for impairment of deposits paid amounted to HK$16,457,000 (2021: HK$11,082,000) was recognised in profit or loss in respect of current year, details of which are set out in note 23.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of oil reserves

Estimates of oil reserve are regarded an important element in testing for impairment of oil properties. Changes in proven and probable oil reserves will affect unit-of-production depreciation and amortisation recorded in the Group's consolidated financial statements for oil properties.

Proven and probable reserve estimates are subject to revision, either upward or downward, as warranted by additional data. Revisions are necessary due to changes in assumptions based on, among other things, reservoir performance, prices, economic conditions and government restrictions.

Estimation on asset retirement obligation

Asset abandonment costs will be incurred by the Group at the end of the operating life of the oil wells and equipment. The abandonment cost estimates varies in response to many factors including changes to relevant legal requirements, emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure would also change in response to changes in reserves or changes in laws regulations or their interpretation. The present values of these estimated future abandonment costs are included in cost of oil properties with equivalent amounts recognised as asset retirement obligations.

6 OPERATING SEGMENT INFORMATION

The directors 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 units and review of these units' performance.

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

(a) Commodities trading: Trading of commodities;

(b) Oil segment: Exploration and production of oil as well as provision of well drilling services; and

(c) Logistics segment: Provision of transportation and warehousing services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement. There were no intersegment sales in the current year (2021: Nil).

Segment assets exclude cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude promissory notes payable, other borrowings, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

6 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022

	Commodities trading HK$'000	Oil HK$'000	Logistics HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	853	1,897	4,699	7,449
Segment loss	(5,196)	(1,500)	(21,076)	(27,772)
Interest income				12
Unallocated income				3,500
Unallocated expenses				(23,870)
Finance costs				(51,456)
Loss before tax				(99,586)
Income tax credit				–
Loss for the year				(99,586)
Segment assets	25,434	72,318	208,356	306,108
Unallocated assets				55,912
Total assets				362,020
Segment liabilities	13,890	19,676	46,486	80,052
Unallocated liabilities				687,618
Total liabilities				767,670
Other segment information				
Capital expenditure allocated to segments	–	–	13	13
Unallocated capital expenditure				–
Total capital expenditure				13
Depreciation and amortisation allocated to segments	–	1,223	11,585	12,808
Unallocated depreciation and amortisation				–
Total depreciation and amortisation				12,808
Impairment loss allocated to segments:				
Interests in associates	–	–	–	–
Goodwill	–	–	–	–
Prepayments, deposits and other receivables	16,457	–	–	16,457
Total impairment losses recognised	16,457	–	–	16,457

6 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021

	Commodities trading HK$'000	Oil HK$'000	Logistics HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	7,324	1,845	4,478	13,647
Segment loss	(65,595)	(159,110)	(16,169)	(240,874)
Interest income				–
Unallocated income				263
Unallocated expenses				(11,999)
Finance costs				(51,199)
Loss before tax				(303,809)
Income tax credit				1,130
Loss for the year				(302,679)
Segment assets	146,522	109,657	204,015	460,194
Unallocated assets				65,227
Total assets				525,421
Segment liabilities	75,498	19,764	54,183	149,445
Unallocated liabilities				662,473
Total liabilities				811,918
Other segment information				
Capital expenditure allocated to segments	–	148	–	148
Unallocated capital expenditure				–
Total capital expenditure				148
Depreciation and amortisation allocated to segments	–	1,438	13,001	14,439
Unallocated depreciation and amortisation				–
Total depreciation and amortisation				14,439
Impairment loss allocated to segments:				
Interests in associates	–	172,846	–	172,846
Goodwill	55,960	–	–	55,960
Prepayments, deposits and other receivables	11,082	–	–	11,082
Total impairment losses recognised	67,042	172,846	–	239,888

6 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022 HK$'000	2021 HK$'000
The People's Republic of China (the "PRC")	**5,552**	11,802
Other countries	**1,897**	1,845
	7,449	13,647

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

(b) Non-current assets

	2022 HK$'000	2021 HK$'000
PRC	**208,860**	237,561
USA	**70,269**	72,488
	279,129	310,049

Information about major customers

Revenue from major customers contributing over 10% of the revenue of the Group is as follows:

	Revenue generated from	2022 HK$'000	2021 HK$'000
Customer A	Logistics	**793**	–
Customer B	Commodities trading	**845**	5,361
Customer C	Commodities trading	**–**	1,962
Customer D	Logistics	**3,043**	3,043
Customer E	Oil	**1,897**	1,845

7 REVENUE, AND OTHER INCOME AND GAINS

Revenue

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

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

Other income and gains

An analysis of other income and gains is as follows:

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

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

8 FINANCE COSTS

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

9 LOSS BEFORE TAX

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

	2022 HK$'000	2021 HK$'000
Cost of inventories sold*	**1,397**	6,476
Auditors' remuneration		
Audit services	**720**	850
Non-audit services	**100**	230
	820	1,080
Directors' and chief executive's remuneration	**1,775**	1,212
Staff costs (excluding directors' and chief executive's remuneration)		
Salaries and allowances	**6,359**	5,469
Retirement benefit costs	**297**	330
Total staff costs	**8,431**	7,011
Depreciation of property, plant and equipment	**10,214**	11,352
Depreciation of right-of-use assets	**2,491**	2,887
Accretion expenses – oil properties	**262**	248
Amortisation of oil properties	**103**	200
Lease payments under short term leases	**982**	946
Foreign exchange losses, net	**283**	–

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

10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the directors and chief executive were as follows:

	2022 HK$'000	2021 HK$'000
Directors' remuneration		
Fees	675	494
Other emoluments:		
Salaries, allowances and benefits in kind	600	420
Discretionary bonuses	125	289
Pension scheme contributions	30	9
	1,430	1,212
Chief executive's remuneration		
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	334	–
Pension scheme contributions	11	–
	345	–
	1,775	1,212

10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2022					
Cheung Ngai Lam[4]	–	300	25	15	340
Chung Wai Man[5]	–	300	25	15	340
	–	600	50	30	680
2021					
Wong Kai Ling[1]	–	–	–	–	–
Yang Yi[2]	–	–	–	–	–
Meng Fanpeng[3]	–	420	–	9	429
Cheung Ngai Lam[4]	–	–	86	–	86
Chung Wai Man[5]	–	–	86	–	86
	–	420	172	9	601

1 Ms. Wong Kai Ling was appointed as executive director of the Company with effect from 13 May 2020 and resigned with effect from 4 July 2021.

2 Ms. Yang Yi was appointed as executive director of the Company with effect from 22 June 2020 and resigned with effect from 4 June 2021.

3 Mr. Meng Fanpeng was appointed as executive director of the Company with effect from 22 June 2020 and resigned with effect from 1 July 2021.

4 Mr. Cheung Ngai Lam was appointed as executive director of the Company with effect from 4 June 2021.

5 Mr. Chung Wai Man was appointed as executive director of the Company with effect from 4 June 2021.

10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

	Fees HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2022			
Ouyang Nong[6]	**75**	**75**	**150**

	Fees HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2021			
Ouyang Nong[6]	–	79	79
Choi Wai Hong Clifford[7]	–	38	38
Qin Bo[8]	–	–	–
	–	117	117

6 Mr. Ouyang Nong was appointed as non-executive director of the Company with effect from 29 September 2021.

7 Mr. Choi Wai Hong Clifford was appointed as non-executive director of the Company with effect from 4 June 2021 and resigned with effect from 14 December 2021.

8 Mr. Qin Bo was appointed as non-executive director of the Company with effect from 2 June 2020 and resigned with effect from 4 June 2021.

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10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(c) Independent non-executive directors

	Fees	
	2022	2021
	HK$'000	HK$'000
Chen Wai Chung Edmund[9]	**150**	38
Ang Mei Lee Mary[10]	**150**	7
Wong Chun Hung[11]	**–**	67
Choy So Yuk	**150**	150
Leung Yuen Wing[12]	**–**	9
Wu Zhao	**150**	150
Liu Wei[13]	**–**	9
Zou Mingwu[14]	**–**	64
	600	494

9 Mr. Chen Wai Chung Edmund was appointed as independent non-executive director of the Company with effect from 29 September 2021.

10 Ms. Ang Mei Lee Mary was appointed as independent non-executive director of the Company with effect from 14 December 2021.

11 Mr. Wong Chun Hung was appointed as independent non-executive director of the Company with effect from 22 January 2021 and resigned with effect from 1 July 2021.

12 Mr. Leung Yuen Wing resigned as independent non-executive director of the Company with effect from 22 January 2021.

13 Mr. Liu Wei resigned as independent non-executive director of the Company with effect from 22 January 2021.

14 Mr. Zou Mingwu retired as independent non-executive director of the Company in the annual general meeting held on 3 June 2021.

10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(d) Chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2022				
Meng Fanpeng[15] (Chief Executive Officer)	–	334	11	345

[15] Meng Fanpeng was appointed on 2 June 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

There was no remuneration paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2021: Nil).

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year included two director (2021: one director), details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three (2021: four) highest paid employees, who are neither a director nor the chief executive of the Company, are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	4,760	3,593
Retirement scheme contributions	74	69
	4,834	3,662

11 FIVE HIGHEST PAID EMPLOYEES (continued)

The emoluments were within the following bands:

	Number of individuals	
	2022	2021
HK$Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
	3	4

12 INCOME TAX CREDIT

	2022 **HK$'000**	2021 HK$'000
Provision for the year		
Over provision in prior years	**–**	(831)
Current tax credit	**–**	(831)
Deferred tax credit (note 33)	**–**	(299)
Income tax credit	**–**	(1,130)

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

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

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

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

12 INCOME TAX CREDIT (continued)

A reconciliation of the income tax credit to loss before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled are as follows:

	Hong Kong		PRC		USA		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
2022								
Loss before tax	(78,895)		(19,189)		(1,502)		(99,586)	
Tax at the statutory tax rate	(13,017)	16.5	(4,797)	25.0	(315)	21.0	(18,129)	18.0
Loss attributable to associates	–		–		–		–	
Income not subject to tax	(28)		(1,943)		(415)		(2,386)	
Expenses not deductible for tax	13,045		6,740		730		20,515	
Reversal of deductible temporary differences	–		–		–		–	
Over provision in prior years	–		–		–		–	
Income tax credit	–		–		–		–	

	Hong Kong		PRC		USA		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
2021								
Loss before tax	(267,782)		(25,812)		(10,215)		(303,809)	
Tax at the statutory tax rate	(44,184)	16.5	(6,453)	25.0	(2,145)	21.0	(52,782)	17.4
Loss attributable to associates	(2,621)		–		–		(2,621)	
Income not subject to tax	(9)		(1,432)		(44)		(1,485)	
Expenses not deductible for tax	46,814		7,885		2,189		56,888	
Reversal of deductible temporary differences	–		–		(299)		(299)	
Over provision in prior years	–		(831)		–		(831)	
Income tax credit	–		(831)		(299)		(1,130)	

13 DIVIDENDS

No interim dividend was declared for the current year (2021: Nil).

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: Nil).

14 LOSS PER SHARE

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

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

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (note 34)	**641,790**	613,023

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

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Office equipment HK$'000	Oil equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Total HK$'000
31 December 2022							
At 1 January 2022							
Cost	178,540	7,857	14,295	28,427	456	885	230,460
Accumulated depreciation and impairment	(35,352)	(4,756)	(8,763)	(9,500)	(391)	(622)	(59,384)
Carrying amount	143,188	3,101	5,532	18,927	65	263	171,076
Carrying amount at 1 January 2022	143,188	3,101	5,532	18,927	65	263	171,076
Additions, at cost	–	13	–	–	–	–	13
Depreciation provided for the year	(6,838)	(226)	(1,120)	(1,851)	(29)	(150)	(10,214)
Disposal (Note (b))	–	–	–	–	–	–	–
Exchange realignment	(11,033)	(37)	15	(1,636)	(4)	(17)	(12,712)
Carrying amount at 31 December 2022	125,317	2,851	4,427	15,440	32	96	148,163
At 31 December 2022							
Cost	164,738	7,695	14,199	25,764	421	840	213,657
Accumulated depreciation and impairment	(39,421)	(4,844)	(9,772)	(10,324)	(389)	(744)	(65,494)
Carrying amount	125,317	2,851	4,427	15,440	32	96	148,163

15 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Office equipment HK$'000	Oil equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Total HK$'000
31 December 2021							
At 1 January 2021							
Cost	172,812	7,610	14,479	27,517	442	865	223,725
Accumulated depreciation and impairment	(26,555)	(4,416)	(7,746)	(7,317)	(318)	(518)	(46,870)
Carrying amount	146,257	3,194	6,733	20,200	124	347	176,855
Carrying amount at 1 January 2021	146,257	3,194	6,733	20,200	124	347	176,855
Additions, at cost	–	–	–	–	–	–	–
Depreciation provided for the year	(7,853)	(195)	(1,238)	(1,911)	(62)	(93)	(11,352)
Disposal (Note (b))	–	–	–	–	–	–	–
Exchange realignment	4,784	102	37	638	3	9	5,573
Carrying amount at 31 December 2021	143,188	3,101	5,532	18,927	65	263	171,076
At 31 December 2021							
Cost	178,540	7,857	14,295	28,427	456	885	230,460
Accumulated depreciation and impairment	(35,352)	(4,756)	(8,763)	(9,500)	(391)	(622)	(59,384)
Carrying amount	143,188	3,101	5,532	18,927	65	263	171,076

Note:

(a) The Group's leasehold land and buildings at 31 December 2022 and 31 December 2021 represent buildings as follows:

	2022 HK$'000	2021 HK$'000
Buildings situated on leasehold land:		
In the PRC	**124,085**	141,911
In the USA	**1,232**	1,277
	125,317	143,188

(b) During the year, the Group has disposed of certain oil equipment with the carrying amount of Nil (2021: Nil) for a consideration of approximately HK$70,000 (2021: HK$96,000), which gave rise to gain on disposal of HK$70,000 (2021: HK$96,000) recognised to profit or loss during the year.

16 RIGHT-OF-USE ASSETS

	Leased land HK$'000 (Note a)	Leased properties HK$'000 (Note b)	Total HK$'000
Carrying amount at 1 January 2021	60,651	12,831	73,482
Depreciation for the year ended 31 December 2021	(1,972)	(915)	(2,887)
Exchange realignment	2,293	406	2,699
Carrying amount at 31 December 2021 and 1 January 2022	60,972	12,322	73,294
Depreciation for the year ended 31 December 2022	(1,826)	(665)	(2,491)
Exchange realignment	(4,729)	(950)	(5,679)
Carrying amount at 31 December 2022	54,417	10,707	65,124

Notes:

(a) The leased land represents land use rights of certain land in the PRC acquired by the Group. Such leased land is amortised over the period of 40 years.

(b) The Group leases certain properties, including land and pier, under non-cancellable operating lease arrangements. Lease for the land and pier is negotiated for a term of 30 years and leases for office premises are negotiated for terms of two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17 INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Cost of investments in unlisted associates	**572,500**	722,500
Share of post-acquisition losses and reserves	**–**	(14,344)
Impairment loss recognised	**(572,500)**	(708,156)
	–	–

Included in cost of investments in unlisted associates are goodwill arising on acquisition amounted to HK$291,624,000 (2021: HK$424,339,000).

Movements of the interests in associates are as follows:

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**–**	214,954
Share of post-acquisition profit for the year	**–**	15,891
Impairment loss recognised (Note a)	**–**	(172,846)
Transferred to assets classified as held for sale (Note a)	**–**	(57,954)
Transferred out on dilution (Note b)	**–**	–
Exchange realignment	**–**	(45)
Balance at 31 December	**–**	–

17 INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Paid up capital	Equity interest held by the Group		Principal activities
			2022	2021	
RockEast Energy Corporation ("RockEast") (Note a)	Canada	CAD30,364,992	–	29.95%	Exploration and production of oil
Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company ^ ("Mongolia Logistics") (Note b)	Inner Mongolia Province, the PRC	RMB5,000,000	–	39.00%	Provision of logistics and warehousing services
Wulanchabu Integrated Logistics Park Company Limited^ ("Wulanchabu")	Inner Mongolia Province, the PRC	RMB50,000,000	40.00%	40.00%	Provision of logistics and warehousing services

Notes:

^ The English names of these entities are directly translated from their Chinese names as no English names have been registered.

(a) In connection with the acquisition by the Group of equity interests in RockEast in prior years, the Group has entered into the related shareholder's agreement, under which whenever the shareholders of RockEast holding in aggregate of 60% or more of the equity interest in RockEast agree to accept an offer to purchase the equity interest in RockEast, those shareholders accepting the offer shall have the rights to require the other shareholders (including the Group) to either accept the offer or make a counter-offer on the same terms and conditions as the offer to acquire the equity interest from those shareholders of RockEast accepting the offer ("Drag-along Right").

In December 2021, the Group was notified that the majority shareholders have received and have accepted an offer from an independent third party to purchase all of the outstanding shares in RockEast at the offer price of CAD1.00 per share. Pursuant to the Drag-along Right under the related shareholder's agreement for RockEast, the Group was required to accept the offer for the sale of the 29.95% equity interest in RockEast held by the Group at the total consideration of CAD9,407,000 (equivalent to approximately HK$57,954,000). In view of that, the Group's investment in RockEast with the sale price of approximately HK$57,954,000 was reclassified to assets classified as held for sale (note 24) and impairment loss on the investment in RockEast amounted to HK$172,846,000, which was calculated as the difference between the carrying amount of the investment immediately before the reclassification amounted to HK$230,800,000 and the sale price, was recognized in profit or loss in respect of the prior year ended 31 December 2021. The sale was completed in March 2022.

(b) During the year ended 31 December 2022, Mongolia Logistics issued additional common shares to an independent third party which resulted in the decrease in the Group's equity interest in Mongolia Logistics from 39.00% to 4.60%. The interest in associate was fully impaired at 31 December 2021 and the reclassification to other investment (Note 18) of the Group's interest in Mongolia Logistics arising from the issue of common shares has not resulted in any impact on the carrying amount of the Group's interests in associates.

17 INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information is respect of RockEast, Mongolia Logistics and Wulanchabu and reconciled to the carrying amount in the consolidated financial statements.

	RockEast
	2021
	HK$'000
Non-current assets	529,295
Current assets	25,263
Current liabilities	(12,331)
Non-current liabilities	(92,381)
Net assets	449,846
Revenue	131,260
Profit/(loss) before tax	53,058
Income tax expense	–
Profit/(loss) for the year	53,058
Other comprehensive income	–
Total comprehensive income	53,058
Reconciliation to the Group's interest in the associates:	
Proportion of the Group's ownership	29.95%
Group's share of net assets of the associates, excluding goodwill	134,729
Goodwill on acquisition	408,095
Less: Accumulated impairment	(484,870)
Transfer to assets classified as held for sales (note 24)	(57,954)
Carrying amount of the investment	–

17 INTERESTS IN ASSOCIATES (continued)

	Mongolia Logistics
	2021
	HK$'000
Non-current assets	298,613
Current assets	3,707
Current liabilities	(302,333)
Non-current liabilities	–
Net liabilities	(13)
Revenue	657
Loss before tax	(6,174)
Income tax expense	–
Loss for the year	(6,174)
Other comprehensive income	–
Total comprehensive income	(6,174)
Reconciliation to the Group's interest in the associates:	
Proportion of the Group's ownership	39.00%
Group's share of net assets of the associates, excluding goodwill	1,661
Goodwill on acquisition	132,714
Less: Accumulated impairment	(134,375)
Carrying amount of the investment	–
The unrecognised share of loss for the year	(2,408)
The unrecognised share of reserve for the year	742

17 INTERESTS IN ASSOCIATES (continued)

	Wulanchabu	
	2022	2021
	HK$'000	HK$'000
Non-current assets	**644,492**	644,492
Current assets	**74,247**	74,247
Current liabilities	**(3,119)**	(3,119)
Net assets	**715,620**	715,620
Revenue	**–**	–
Profit before tax	**–**	–
Income tax expense	**–**	–
Profit for the year	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associates, excluding goodwill	**280,899**	280,899
Goodwill on acquisition	**291,624**	291,624
Less: Accumulated impairment	**(572,523)**	(572,523)
Carrying amount of the investment	**–**	–
The unrecognised share of reserve for the year	**–**	5,349

18 OTHER INVESTMENT

	2022	2021
	HK$'000	HK$'000
Unlisted equity investment, at fair value	**–**	–

The unlisted equity investment at 31 December 2022 represents the Group's 4.6% interest in Mongolia Logistics which was reclassified from interests in associates during the current year, details of which are set out in Note 17(b). Management of the Group is of the view that the fair values of this equity investment at the date of reclassification and at 31 December 2022 are minimal and no change in fair value of the investment for the current year is to be recognised in the consolidated financial statements. For details, please refer to Note 40(b).

19 GOODWILL

	2022 HK$'000	2021 HK$'000
At 1 January		
Cost	**282,375**	282,375
Accumulated impairment	**(282,375)**	(226,415)
Carrying amount	**–**	55,960
Carrying amount at 1 January	**–**	55,960
Impairment loss recognised for the year	**–**	(55,960)
Carrying amount at 31 December	**–**	–
At 31 December		
Cost	**282,375**	282,375
Accumulated impairment	**(282,375)**	(282,375)
Carrying amount	**–**	–

An analysis of the goodwill attributable to the relevant cash-generating units ("CGUs") is as follows:

	Oil CGU	Logistics and Commodities trading CGUs attributable to		
		Hai Hui	Tianjin Ruiqi Group	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022				
Goodwill before impairment	**121,182**	**50,959**	**110,234**	**282,375**
Impairment of goodwill	**(121,182)**	**(50,959)**	**(110,234)**	**(282,375)**
Carrying amount at 31 December 2022	**–**	**–**	**–**	**–**
As at 31 December 2021				
Goodwill before impairment	121,182	50,959	110,234	282,375
Impairment of goodwill	(121,182)	(50,959)	(110,234)	(282,375)
Carrying amount at 31 December 2021	–	–	–	–

20 OIL PROPERTIES

	2022 HK$'000	2021 HK$'000
At 1 January		
Cost	**267,035**	265,391
Accumulated amortisation and impairment	**(201,356)**	(200,028)
Carrying amount	**65,679**	65,363
At 1 January, cost less accumulated amortisation and impairment	**65,679**	65,363
Additions, at cost	**105**	148
Amortisation for the year	**(103)**	(200)
Exchange realignment	**161**	368
At 31 December, cost less accumulated amortisation and impairment	**65,842**	65,679
At 31 December		
Cost	**267,648**	267,035
Accumulated amortisation and impairment	**(201,806)**	(201,356)
Carrying amount	**65,842**	65,679

The oil properties represent proven and probable oil reserves of successful exploratory wells in the States of Illinois and Indiana in the USA held by the EPI Group, subsidiaries of the Company. The oil properties are amortised using the unit-of-production method based on the total estimated proven and probable reserves.

20 OIL PROPERTIES (continued)

The recoverable amount of the oil properties is determined based on a value in use calculation by reference to the valuation conducted by Valplus Consulting Limited (2021: Valplus Consulting Limited), an independent firm of professional valuers with recognised qualifications and experience, using income approach methodology. The calculation uses cash flow projections based on financial budgets approved by our management covering a period over the remaining life of the oil fields. The projected cash flows are mainly prepared on the basis of certain principal parameters including but not limited to (i) available proven and probable reserves, (ii) prevailing market and future oil prices as sourced from Bloomberg and (iii) historical production and operating costs, combined with judgement and consideration of general economic environment and outlook of market sector. The projected future cash flows are discounted to the present value at an appropriate discount rate reflecting the specific risks of the cash generating unit. The pre-tax discount rate applied to the value in use calculation is 28.7% (2021: 23.8%) per annum, which is derived from weighted average cost of capital by making reference to a group of industry comparables. The long-term growth rate of the underlying oil price and operating costs over the projections was based on inflation rate of 2.3% (2021: 2.3%) per annum as sourced from public database, which is consistent with the general forecast of the economy.

Based on the assessments, the directors of the Company consider that impairment loss are not required to be recognised for the current year (2021: Nil).

21 INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Finished goods	**745**	689
	745	689

22 TRADE RECEIVABLES

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

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

22 TRADE RECEIVABLES (continued)

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

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

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

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

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

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Deposits for purchases of goods (Note (a))	–	110,532
Prepayments and other deposits	550	89
Amount due from an associate (Note (b))	18	–
Amount due from a related party (Note (c))	25,434	27,599
Other receivables	2,121	12,987
	28,123	151,207

Notes:

(a) The deposits at 31 December 2022 amounted to HK$16,457,000 (2021: HK$110,532,000) represent deposits paid for purchases of commodities for trading purposes, less impairment loss recognised. In view of the uncertainty of financial position of certain suppliers, management considered it appropriate to recognise additional impairment losses amounted to HK$16,457,000 (2021: HK$11,082,000) on such deposits made to those suppliers which was charged to profit or loss in respect of the current year.

(b) The amount due from an associate is unsecured, interest free and repayable on demand.

(c) Amount due from a related party at 31 December 2021 represented deposits paid to a non-controlling interest of a subsidiary for purchase of goods amounted to HK$25,434,000 (2021: HK$27,599,000). No impairment is required as assessed by the management during the current and prior year.

(d) As at 31 December 2022 and 2021, deposits and other receivables were substantially denominated in the functional currencies of the relevant group entities.

24 CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and bank balances	49,877	974
Cash and cash equivalents	49,877	974

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$13,315,000 (2021: HK$405,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As 31 December 2022, the Group's cash and cash equivalents to the extent of HK$36,792,000 (2021: HK$159,000) were denominated in currencies other than the functional currencies of the relevant group entities.

25 ASSETS CLASSIFIED AS HELD FOR SALE

	2022 HK$'000	2021 HK$'000
Interest in an associate – RockEast Energy Corp. ("RockEast") (note 17)	–	57,954

In December 2021, the Group received a Drag-along Notice from RockEast notifying that RockEast majority shareholders have received and have accepted an offer (the "Offer") from an independent third party to acquire all of the issued shares of RockEast at the offer price of Canada dollar ("CAD") 1.00 per share. The Group was mandatorily required to accept the Offer for sale of the equity interest in RockEast held by the Group. Accordingly, the Group's interest in RockEast with its sale price of approximately HK$57,954,000 (after making impairment loss of HK$172,846,000 recognised in profit or loss for the prior year ended 31 December 2021) was reclassified and included in assets classified as held for sale. The sale was completed in March 2022.

During the current year, completion of the sale of the Group's interest in RockEast took place and net sale proceeds amounted to CAD9,406,000 (equivalent to HK$57,748,000) was received by the Group.

26 TRADE PAYABLES

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

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

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

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

27 OTHER PAYABLES AND ACCRUALS

	Notes	2022 HK$'000	2021 HK$'000
Customer advances	(a)	**124**	30,422
Other payables	(b)	**74,166**	75,608
Amount due to a related party	(c)	**343**	–
Value-added tax and on other taxes payables		**3,037**	3,861
Accrued interest on other borrowings		**7,702**	7,285
Lease liabilities (note 31)		**299**	303
Other accrued charges		**17,508**	15,284
		103,179	132,763

Notes:

(a) The Group receives advances from customers for trading commodities as established in contracts which is regarded as contract liabilities.

The following table shows the amount of the revenue recognised in the current reporting period in relation to carried-forward contract liabilities:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	3,448	–

(b) Other payables at 31 December 2022 and 2021 are non interest-bearing. Included in other payables at 31 December 2020 is amount due to a shareholder amounted to HK$5,053,000 which was reclassified to other borrowings during the year ended 31 December 2021.

(c) The amount due to a related party is unsecured, interest free and repayable on demand.

(d) As at 31 December 2022 and 2021, other payables and accruals were substantially denominated in the functional currencies of the relevant group entities.

28 OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Unsecured other borrowings from:		
– a shareholder (Note a)	**2,549**	3,459
– a related party (Note b)	**489,098**	447,826
– other parties	**37,980**	37,209
	529,627	488,494

	2022 HK$'000	2021 HK$'000
Unsecured other borrowings repayable:		
– Within one year	**529,627**	488,356
– More than one year but within two years	**–**	138
	529,627	488,494

	2022 HK$'000	2021 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**529,627**	488,356
Non-current liabilities	**–**	138
	529,627	488,494

Notes:

(a) The amount due to the shareholder is unsecured, carries interest at 6% per annum and is repayable on demand. During the prior year ended 31 December 2021, the amount due to a shareholder amounted to HK$5,053,000 was reclassified from other payables (note 26 (b)) and additional advances amounted to HK$1,060,000 was made by the shareholder to the Group. The amount due to the shareholder to the extent of HK$3,000,000 was settled by way of the issue of new shares by the Company to the shareholder during the prior year.

(b) The amount due to the party related to another shareholder of the Company arose from the convertible bonds issued by the Company to the BVI entity, Xinya Global Ltd. with the principal amount of HK$300,000,000 in prior years and remained outstanding upon the expiration of the maturity period of the bonds and up to the date of approval of these consolidated financial statements. The conversion rights under the convertible bonds lapsed upon the expiration of the bonds maturity period. Interests were charged on the outstanding balance of the bond at the interest rate of 11% per annum, in respect of the years ended 31 December 2022 and 31 December 2021. The aggregate outstanding balance of the bonds together with interest thereon amounted to HK$489,098,000 (2021: HK$447,826,000) as at 31 December 2022.

(c) As 31 December 2022 and 2021, other borrowings were substantially denominated in the functional currencies of the relevant group entities.

29 PROMISSORY NOTES PAYABLE

	2022 HK$'000	2021 HK$'000
At 1 January	**69,197**	60,929
Interest expenses charged (note 8)	**8,304**	8,268
At 31 December	**77,501**	69,197
Analysed for reporting purposes as:		
Current liabilities	**77,501**	69,197

The promissory notes payable was issued by the Company in December 2014 to an independent third party, Wise Perfection Limited, as part of the consideration for the acquisition of 100% equity interest in a subsidiary, Earning Power Inc.. Such notes payable with the principal amount of HK$52,000,000 (2021: HK$52,000,000) were not repaid upon their maturity date of 18 December 2017 and remained outstanding as at 31 December 2018.

On 5 July 2019, the Company entered into an agreement (the "Settlement Agreement") with the promissory note holder, under which the Company has agreed to pay to the promissory note holder an interest of HK$4,633,000 which is calculated at 6% per annum on the outstanding principal amount as from 18 December 2017; and the Company shall settle the promissory note, including the principal amount and interest amounted to a total of HK$56,633,000, by 15 instalments over 6 years commencing from 5 July 2019. Pursuant to the Settlement Agreement, if the Company fails to pay any sum payable under the agreement that constitutes default, the promissory note shall be due for immediate repayment and the Company shall be liable to pay additional interest to the holder calculated at 6% per annum on the outstanding indebtedness from the date of default until full payment of all outstanding indebtedness is made by the Group.

Since the Group had not made repayments of principals and interests on promissory notes payables, which resulted in the Group's failure to comply with certain converants specified in the agreements for the promissory notes payable. Accordingly, the promissory notes payable are wholly regarded as current liabilities at 31 December 2022 and 2021 presented in the consolidated statement of financial position.

30 OBLIGATIONS UNDER FINANCE LEASES

The Group leased motor vehicles under finance leases. The term were 5 years. Interest rates on obligations under the finance leases were fixed at the contract rates of less than 2% per annum. The Group had options to purchase the motor vehicles for a nominal amount at the end of the lease term. No arrangements have been entered into for contingent rental payments.

	2022 **HK$'000**	2021 HK$'000
Obligations under finance lease payable within one year	**–**	33

31 LEASE LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Lease liabilities payable:		
Within one year	**299**	303
Within a period of more than one year but not more than two years	**318**	324
Within a period of more than two years but less than five years	**1,217**	716
More than five years	**10,738**	12,379
Total lease liabilities payable	**12,572**	13,722
Less: Amount due for settlement within twelve months included in other payables and accruals (note 27)	**(299)**	(303)
Amount due for settlement after twelve months shown under non-current liabilities	**12,273**	13,419

32 ASSETS RETIREMENT OBLIGATIONS

	2022 HK$'000	2021 HK$'000
At 1 January	**5,485**	5,207
Accretion expenses recognised	**262**	248
Exchange realignment	**10**	30
At 31 December	**5,757**	5,485

The obligations represent the present value of the estimated future expenditure, including abandonment costs, in relation to the oil properties of the Group upon their retirements. The assets retirement obligations are estimated at the end of each of the reporting period, and the discount rate applied to assets retirement obligations is 4.75% (2021: 4.75%) per annum.

33 DEFERRED TAX LIABILITIES

Movements of the deferred tax liabilities during the year are as follows:

	Fair value adjustments arising from business combination HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2021	12,289	2,640	14,929
Deferred tax credited to profit or loss (note 12)	(299)	–	(299)
Exchange realignment	287	(81)	206
At 31 December 2021 and 1 January 2022	12,277	2,559	14,836
Deferred tax credited to profit or loss (note 12)	–	–	–
Exchange realignment	(303)	(49)	(352)
At 31 December 2022	11,974	2,510	14,484

The Group has unused tax losses arising in Hong Kong of approximately HK$13,876,000 (2021: HK$13,876,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

33 DEFERRED TAX LIABILITIES (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries that are subject to withholding taxes as there were no unremitted earnings up to that date (2021: Nil).

34 SHARE CAPITAL

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

Notes:

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

(b) On 3 September 2021, the Company issued 42,857,142 new shares to a shareholder at the issue price of HK$0.14 per share, for consideration of HK$6,000,000 (before expenses). This consideration to the extent of HK$3,000,000 was settled in cash by the shareholder, with the remaining consideration amounted to HK$3,000,000 which was settled by way of set off against part of the amount due by the Group to the shareholder of HK$3,000,000 (note 27(a)).

35 SHARE OPTION SCHEME

The Company adopted the existing share option scheme on 30 June 2017 (the "Scheme") for the purpose of providing incentives to Participants (as defined in the 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. Participants include the directors and any employees of the Group, supplier of goods or services of the Group, any person provides professional advice, consultancy service or technical support to the Group and any shareholders of any member of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the adoption date on 30 June 2017 ("Adoption Date"). The principal terms of the Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date and the maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The maximum number of shares in respect of which options may be granted under the Scheme is 43,098,873 shares (as consolidated pursuant to the ordinary resolution passed by the shareholders on 3 June 2021), representing 10% of the total capital in issue as at the Adoption Date and representing approximately 6.72% of the issued share capital of the Company as at 31 December 2022 and the date of this annual report. The maximum number of shares to be issued under the share options granted to each Participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the number of shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

(c) The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Board which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten year period subject to the provisions for early termination as contained in the Scheme.

(d) The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotation sheets on the date of offer of such share option; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of such share option.

No options have been granted, exercised, forfeited or lapsed under the Scheme since its adoption.

36 RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 84.

(a) Share option reserve

	2022 HK$'000	2021 HK$'000
Share option reserve attributable to		
– the Company	–	–
– associates	–	3,632
	–	3,632

(b) Capital reserve

Capital reserve is analysed as follows:

	2022 HK$'000	2021 HK$'000
Statutory surplus reserve (Note i)	178,368	178,368
	178,368	178,368

(i) Statutory surplus reserve ("SSR")

Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, the profits of the Group's PRC subsidiary are available for distribution, in the form of cash dividends to each of the joint venture partners of the joint venture: (1) satisfies all tax liabilities; (2) provides for losses in previous years; and (3) makes appropriate to the three statutory reserves. These appropriations include the individual entity's reserve fund, expansion fund and funds for staff bonuses and welfare benefits.

All Sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after tax to the SSR as determined in the PRC subsidiary's statutory audited accounts prepared in accordance with Chinese Accounting Standards, until the balance of the fund reaches 50% of the registered capital. Appropriations of the expansion fund and funds for staff bonuses and welfare benefits are determined at the sole discretion of the board of directors.

Subject to certain restrictions set out in the Company law of the PRC, part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

There is no movement for the statutory surplus reserve for both of the years under presented.

37 ADDITIONAL INFORMATION FOR CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, part of the amount due to a shareholder amounted to HK$3,000,000 was settled by way of set off against the issue of the new shares by the Company, details of which are set out in note 34(b).

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities for the year ended 31 December 2022 and 31 December 2021, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in other payables and accruals) HK$'000	Promissory notes payable HK$'000	Obligations under finance leases HK$'000	Lease liabilities HK$'000	Other borrowings HK$'000	Total HK$'000
As at 1 January 2021	6,872	60,929	77	14,088	443,960	525,926
Financing cash inflow (outflows)	(10)	–	(44)	(1,523)	1,060	(517)
Finance costs for the year	423	8,268	–	932	41,576	51,199
Reclassification from other payables	–	–	–	–	5,053	5,053
Non-cash transaction (Note (a))	–	–	–	–	(3,000)	(3,000)
Exchange realignment	–	–	–	225	(155)	70
As at 31 December 2021 and 1 January 2022	**7,285**	**69,197**	**33**	**13,722**	**488,494**	**578,731**
Financing cash inflow (outflows)	**–**	**–**	**(33)**	**(1,163)**	**(1,060)**	**(2,256)**
Finance costs for the year	**417**	**8,304**	**–**	**878**	**41,857**	**51,456**
Reclassification from other payables	**–**	**–**	**–**	**–**	**–**	**–**
Non-cash transaction	**–**	**–**	**–**	**–**	**–**	**–**
Exchange realignment	**–**	**–**	**–**	**(865)**	**336**	**(529)**
As at 31 December 2022	**7,702**	**77,501**	**–**	**12,572**	**529,627**	**627,402**

38 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 year:

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:

38 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Government-related entities operated in the PRC (continued)

(i) Transactions/balances with government-related entities

Major transactions with the government-related entities

	2022 HK$'000	2021 HK$'000
Storage income from Tewoo Group	–	72
Interest expense on other borrowings to Xinya Global Limited	41,272	39,391

Balances with government-related entities

	2022 HK$'000	2021 HK$'000
Amount due from Tewoo Group (included in prepayments, deposits and other receivables)	–	6,846
Amount due to Tewoo Group (included in trade payables)	–	83,886
Other borrowings from Xinya Global Limited	489,098	447,826

(ii) Balances with the other related parties

	2022 HK$'000	2021 HK$'000
Amount due from a related party (included in prepayments, deposits and other receivables (note 23))	25,434	27,599
Amount due to a related party (included in other payables and accruals (note 27))	343	–
Other borrowings from a related party	2,549	3,459

(iii) Transactions with other related parties

	2022 HK$'000	2021 HK$'000
Interest expense on other borrowings to a related party	126	346
Compensation of key management personnel of the Group		
Short term employee benefits	4,110	3,237
Post-employment benefits	44	66
Total compensation to key management personnel	4,154	3,303

39 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets at 31 December 2022

	Financial assets at amortised cost HK$'000
Other investment	–
Trade receivables	170
Financial assets included in prepayments, deposits and other receivables	27,555
Cash and cash equivalents	49,877
	77,602

Financial assets at 31 December 2021

	Financial assets at amortised cost HK$'000
Other investment	–
Trade receivables	–
Financial assets included in prepayments, deposits and other receivables	151,118
Cash and cash equivalents	974
	152,092

Financial liabilities at 31 December 2022

	Financial liabilities at amortised cost HK$'000
Trade payables	24,849
Other payables and accruals	102,880
Other borrowings	529,627
Promissory notes payable	77,501
Lease liabilities	12,572
	747,429

39 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities at 31 December 2021

	Financial liabilities at amortised cost HK$'000
Trade payables	87,691
Other payables and accruals	132,460
Other borrowings	488,356
Promissory notes payable	69,197
Obligations under finance leases	33
Lease liabilities	13,722
	791,459

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table illustrates the fair value measurement hierarchy of the Group's 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 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

The following table presents the fair value of financial instruments measured at fair value at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

40 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Reconciliation of Level 3 fair value measurement (continued)

The Group's financial assets at FVTPL, representing unlisted equity investment in a private entity in PRC, is measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined, in particular, the valuation technique(s) and input used.

	Fair value as at 31 December 2022 HK$'000	Fair value hierarchy	Fair value technique(s) and inputs
Financial assets at FVTPL			
Other investment (Note 18)	-	Level 3	Value-in-use approach ("VIU") with significant unobservable inputs

The fair value of unlisted equity investment as at 31 December 2022 is measured based on VIU approach as at that date. In light of persistent losses incurred by Mongolia Logistics and it's working capital deficiencies, fair value is considered as minimal as assessed by the management. There was no financial assets at FVTPL as at 31 December 2021.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include promissory notes payable, other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and accruals, obligations under finance leases, and lease liabilities which arise directly from its operations.

The risks associated with the Group's financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits with floating interest rates. The other borrowings and promissory notes payable carried interest at fixed interest rates. The Group regularly reviews and monitors the floating interest rate in order to manage its interest rate risks.

The sensitivity analyses below have been determined based on the exposure to bank deposits at floating interest rates at the end of the reporting period. The analysis is prepared assuming the amount of these assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/(lower) and all other variables were held constant, the Group's loss for the year ended 31 December 2022 would increase/(decrease) by HK$477,000 (2021: loss for the year would increase/(decrease) by HK$3,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi ("RMB") and United States Dollars ("USD"). The Group manages its transactional currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Group monitors the foreign currency exchange rates closely so as to minimise any potential material adverse effects from these exposure in a timely manner.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonable possible change in the exchange rate of RMB and USD with all other variables held constant:

	Increase/ (decrease) in exchange rate %	(Increase)/ decrease in loss before tax HK$'000
31 December 2022		
If HK$ weakens against RMB	**5**	**–**
If HK$ strengthens against RMB	**(5)**	**–**
If HK$ weakens against USD	**0.5**	**583**
If HK$ strengthens against USD	**(0.5)**	**(583)**

	Increase/ (decrease) in exchange rate %	(Increase)/ decrease in loss before tax HK$'000
31 December 2021		
If HK$ weakens against RMB	5	–
If HK$ strengthens against RMB	(5)	–
If HK$ weakens against USD	0.5	583
If HK$ strengthens against USD	(0.5)	(583)

Credit risk

(i) Trade and other receivables and deposits

Trade receivables

The Group applies the simplified approach to provide for expected credit losses for trade and other receivables and deposits prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Trade and other receivables and deposits (continued)

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

The loss allowance for trade receivables was determined as follows:

	Not past due	Past due less than 1 month	Past due 1 to 3 months	Past due 3 to 12 months	Past due over one year	Total
31 December 2022						
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	
Gross carrying amount (HK$'000)	**109**	**61**	**–**	**–**	**–**	**170**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**–**	**–**
31 December 2021						
Expected loss rate	0%	0%	0%	0%	100%	
Gross carrying amount (HK$'000)	–	–	–	–	99,569	99,569
Loss allowance (HK$'000)	–	–	–	–	99,569	99,569

The above expected credit losses also incorporated forward looking information.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2022, the Group had a concentration of credit risk given that the top 5 customers account for 93% (2021: 100%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Trade and other receivables and deposits (continued)

Deposits and other receivables

The Group uses four categories for deposits and other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk, significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due.	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due.	Lifetime expected losses
Write-off	Interest and/or principal repayments are two years past due and there is no reasonable expectation of recovery.	Asset is written off.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of deposits and other receivables and adjusts for forward-looking macroeconomic data.

Management assessed that certain deposits and other receivables at 31 December 2022 are regarded non-performing and additional impairment losses for the year amounted to HK$16,457,000 (2021: HK$11,082,000) have been made for those deposits and other receivables. Save as aforementioned, the Group's internal credit rating of the remaining deposits and other receivables were performing. The Group has assessed that the expected credit loss rate for the remaining deposits and other receivables is immaterial under 12 months expected losses method. Thus no loss allowance for those deposits and receivables was recognised.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(ii) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2022 HK'$000	2021 HK$'000
Cash at banks and bank deposits	A1-A3	**49,877**	974

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A1 – A3" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Accordingly, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding.

As referred to in note 2, management of the Company has made several measures and arrangements to enable the Group to have sufficient cash resources to operate as a going concern.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are based on floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amount included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	On demand or within one year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2022 HK$'000
As at 31 December 2022				
Non-derivative assets				
Financial assets included in prepayments, deposits and other receivables	27,573	–	27,573	27,573
Cash and cash equivalents	49,877	–	49,877	49,877
	77,450	–	77,450	77,450

	On demand or within one year HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2022 HK$'000
As at 31 December 2022					
Non-derivative financial liabilities					
Trade payables	24,849	–	–	24,849	24,849
Other payables and accruals	85,671	–	–	85,671	85,671
Other borrowings	529,627	–	–	529,627	529,627
Promissory notes payable	77,501	–	–	77,501	77,501
Obligations under finance lease	–	–	–	–	–
Lease liabilities	1,003	4,011	14,920	19,934	12,572
	718,651	4,011	14,920	737,582	730,220

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	On demand or within one year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2021 HK$'000
As at 31 December 2021				
Non-derivative assets				
Financial assets included in prepayments, deposits and other receivables	151,118	–	151,118	151,118
Cash and cash equivalents	974	–	974	974
	152,092	–	152,092	152,092

	On demand or within one year HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2021 HK$'000
As at 31 December 2021					
Non-derivative financial liabilities					
Trade payables	87,691	–	–	87,691	87,691
Other payables and accruals	117,479	–	–	117,479	117,479
Other borrowings	488,356	–	–	488,356	488,356
Promissory notes payable	69,197	–	–	69,197	69,197
Obligations under finance leases	33	–	–	33	33
Lease liabilities	1,230	4,920	17,220	23,370	13,722
	763,986	4,920	17,220	786,126	776,478

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Oil price risk

Since the Group makes reference to international oil prices to determine the product price in the oil segment, the Group is exposed to commodity price risk related to price volatility of oil. The Group actively monitors and manages the oil price risk.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes other borrowings, and promissory notes payable, less cash and cash equivalents. Total capital includes total equity attributable to owners of the Company and net debt. The gearing ratios as at the ends of reporting periods were as follows:

	2022 **HK$'000**	2021 HK$'000
Other borrowings	**529,627**	488,494
Promissory notes payable	**77,501**	69,197
Less: Cash and bank balances	**(49,877)**	(974)
Net debt	**557,251**	556,717
Equity attributable to owners of the Company	**(473,769)**	(365,770)
Total equity and net debt	**83,482**	190,947
Gearing ratio	**668%**	292%

42 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	–
Amounts due from subsidiaries	–	–
Total non-current assets	–	–
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,089	1,081
Amounts due from subsidiaries	73,651	151,737
Cash and cash equivalents	36,472	280
Total current assets	111,212	153,098
CURRENT LIABILITIES		
Other payables and accruals	64,547	59,951
Other borrowings	529,627	488,356
Promissory notes payable	77,501	69,197
Amounts due to subsidiaries	3,914	5,878
Total current liabilities	675,589	623,382
NET CURRENT LIABILITIES	(564,377)	(470,284)
NET LIABILITIES	(564,377)	(470,284)
EQUITY		
Share capital	64,179	64,179
Reserves (Note)	(628,556)	(534,463)
TOTAL EQUITY	(564,377)	(470,284)

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 28 March 2023 and is signed on its behalf by:

Cheung Ngai Lam
Director

Chung Wai Man
Director

42 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: Movements of the Company's reserves are as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	1,497,240	160,670	773,090	(2,668,345)	(237,345)
Loss for the year and total comprehensive income for the year	–	–	–	(298,832)	(298,832)
Issue of shares	1,714	–	–	–	1,714
At 31 December 2021	**1,498,954**	**160,670**	**773,090**	**(2,967,177)**	**(534,463)**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**(94,093)**	**(94,093)**
At 31 December 2022	**1,498,954**	**160,670**	**773,090**	**(3,061,270)**	**(628,556)**

43 SUBSIDIARIES

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Issued/ paid up capital	Percentage of equity interest attributable to the Company Direct 2022	Indirect 2022	Direct 2021	Indirect 2021	Principal activities
Super Energy Limited	Hong Kong	HK$1	**100%**	**–**	100%	–	Administrative function
Earning Power Inc.	British Virgin Islands ("BVI")	US$2	**–**	**–**	–	100%	Investment holding
City Joint Investments Limited	BVI	US$1	**100%**	**–**	100%	–	Investment holding
Metro Winner Trading Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Trading of commodities
Northern Lynx Exploration	USA	US$300,000	**–**	**100%**	–	100%	Investment holding
Mega Oil Inc.	USA	US$1,000	**–**	**100%**	–	100%	Extraction and sales of oil
Sheen Day Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Dormant
Dongguan City Hai Hui Logistics Company Limited#^*	PRC	RMB30,500,000	**–**	**100%**	–	100%	Provision of logistics and warehousing services

43 SUBSIDIARIES (continued)

Information about subsidiaries (continued)

Name	Place of incorporation and business	Issued/ paid up capital	Percentage of equity interest attributable to the Company Direct 2022	Indirect 2022	Direct 2021	Indirect 2021	Principal activities
Kai Sum International Limited	BVI	US$2	–	100%	–	100%	Investment holding
Wealth Delight International Holdings Limited	BVI	US$1	–	100%	–	100%	Investment holding
Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics")#^*	PRC	RMB100,000,000	–	100%	–	100%	Trading of commodities and provision of logistics and warehousing services

\# The subsidiary is registered as a Sino-foreign investment enterprise under the PRC law.

^ The subsidiary is registered as a limited liability enterprise under the PRC law.

* The English names of these companies are directly translated from their Chinese names as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

Details of non wholly-owned subsidiary that has material non-controlling interests

The table below shows details of non wholly-owned subsidiary of the Company that has material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Qian'an Logistics	PRC	30%	30%	(5,067)	(7,526)	68,119	79,273

Summarised financial information in respect of the Company's subsidiary at 31 December 2022 and 2021 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

43 SUBSIDIARIES (continued)

Details of non wholly-owned subsidiary that has material non-controlling interests (continued)

Qian'an Logistics

	In respect of the year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Current assets	**49,537**	146,225
Non-current assets	**197,335**	208,080
Current liabilities	**(1,275)**	(85,270)
Non-current liabilities	**(4,414)**	(4,790)
Equity attributable to owners of the Company	**173,064**	184,972
Non-controlling interests	**68,119**	79,273
Revenue	**1,786**	1,404
Expenses	**(18,677)**	(26,491)
Loss for the year	**(16,891)**	(25,087)
Loss attributable to owners of the Company	**(11,824)**	(17,561)
Loss attributable to non-controlling interests	**(5,067)**	(7,526)
Loss for the year	**(16,891)**	(25,087)
Total comprehensive income attributable to owners of the Company	**(26,026)**	(11,354)
Total comprehensive income attributable to non-controlling interests	**(11,154)**	(4,866)
Total comprehensive income for the year	**(37,180)**	(16,220)
Net cash (outflow) inflow from operating activities	**6,442**	(49)
Net cash inflow from financing activities	**–**	–
Net cash inflow (outflow)	**6,442**	(49)

44 CONTINGENT LIABILITIES

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

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

44 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 (Tinjian Huitian Jiacheng Gongyinglian Management Co. Ltd*. ("Huitian Jiacheng"), which owed Qian'an Logistics by RMB77,562,329, entered into a settlement agreement (the "Settlement Agreement") pursuant to which: (i) Haotai has assigned part of the Payable in the sum of RMB53,580,973 to Huitian Jiacheng (the "Assigned Loan") with the balance of the Payable in the sum of RMB14,789,481 (the "Residue Loan") be repaid by Huitian Jiacheng to Haotai; (ii) the Assigned Loan and the Residue Loan would be offset with the claim amount due by Huitian Jiacheng to Qian'an Logistics; (iii) Huitian Jiacheng will repay the balance of the claim amount (after offset the Assigned Loan and the Residue Loan) (the "Balance") to Qian'an Logistics. After Qian'an Logistics withdraw the claim against Huitian Jiacheng from the Tianjin No.1 Intermediate People's Court, Huitian Jiacheng will fully settle the Balance. As at the reporting date, Qian'an Logistics received approximately RMB9,200,000, thus the Balance has been fully settled.

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

45 EVENTS AFTER THE REPORTING PERIOD

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

Supplemental Information on Oil Exploring and Producing Activities (Unaudited)

31 December 2022

On 18 December 2014, the Company completed to acquire a group engaged in exploration and production of oil as well as provision of well services in the States of Illinois and Indiana in the USA at a consideration of HK$295,000,000. The Group's estimated net oil reserves for the year ended 31 December 2022 and 2021 are shown in the following table.

Proved oil reserves are those quantities of oil, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project with a reasonable time.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Net reserves exclude royalties and interests owned by others.

Reserve summary

Location	**2022 Light and Medium Oil MSTB**	2021 Light and Medium Oil MSTB
In the State of Illinois		
Proved	**65**	68
Probable	**525**	525
	590	593
In the State of Indiana		
Prove	**47**	48
Probable	**445**	445
	492	493
Total proved and probable	**1,082**	1,086

MSTB represents thousand of stock tank barrels of oil.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**7,449**	13,647	34,609	5,522,721	11,536,943
Cost of sales and services	**(2,078)**	(8,069)	(32,912)	(5,488,620)	(11,469,113)
Gross profit	**5,371**	5,578	1,697	34,101	67,830
Other income and gains	**268**	263	3,213	21,406	1,831
Reversal of impairment of interests in an associate	**–**	–	–	–	15,910
Selling and distribution expenses	**–**	–	–	(131)	(218)
Administrative expenses	**(37,312)**	(34,454)	(38,536)	(58,411)	(57,942)
Loss on deemed acquisition of an associate	**–**	–	1,651	–	–
Loss on disposal of oil properties	**–**	–	(1,573)	(56,945)	–
Loss on deemed disposal/disposal of an associate	**–**	–	–	(7,891)	(8,757)
Impairment of goodwill	**–**	(55,960)	(32,778)	(14,250)	(7,840)
Impairment of interests in associates and amount due from an associate	**–**	(172,846)	(274,898)	(242,000)	(190,000)
Impairment of oil properties	**–**	–	–	(18,000)	(34,332)
Impairment of trade receivables	**–**	–	–	–	(92,955)
Impairment of prepayments, deposits and other receivables	**(16,457)**	(11,082)	(2,800)	(4,474)	(114,010)
Share of profit (losses) of associates	**–**	15,891	(3,663)	4,118	(2,858)
Finance costs	**(51,456)**	(51,199)	(51,498)	(40,747)	(49,172)
LOSS BEFORE TAX	**(99,586)**	(303,809)	(399,185)	(383,224)	(472,513)
Income tax credit	**–**	1,130	17,011	4,412	24,460
LOSS FOR THE YEAR	**(99,586)**	(302,679)	(382,174)	(378,812)	(448,053)

Five Year Financial Summary

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
LOSS FOR THE YEAR	**(99,586)**	(302,679)	(382,174)	(378,812)	(448,053)
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	**(19,567)**	7,133	14,404	2,532	(52,013)
Reclassification adjustments relating to foreign operations disposed of during the year	**–**	–	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(19,567)**	7,133	14,404	2,532	(52,013)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(119,153)**	(295,546)	(367,770)	(376,280)	(500,066)
Loss/(profit) for the year from continuing operations attributable to:					
Owners of the Company	**(94,519)**	(295,153)	(376,908)	(382,988)	(453,358)
Non-controlling interests	**(5,067)**	(7,526)	(5,266)	4,176	5,305
	(99,586)	(302,679)	(382,174)	(378,812)	(448,053)
(Loss)/profit attributable to:					
Owners of the Company	**(94,519)**	(295,153)	(376,908)	(382,988)	(453,358)
Non-controlling interests	**(5,067)**	(7,526)	(5,266)	4,176	5,305
	(99,586)	(302,679)	(382,174)	(378,812)	(448,053)
Total comprehensive income attributable to:					
Owners of the Company	**(107,999)**	(290,680)	(367,418)	(378,974)	(500,977)
Non-controlling interests	**(11,154)**	(4,866)	(352)	2,694	911
	(119,153)	(295,546)	(367,770)	(376,280)	(500,066)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**362,020**	525,421	751,142	1,146,676	2,772,338
TOTAL LIABILITIES	**(767,670)**	(811,918)	(748,093)	(783,857)	(2,033,199)
NON-CONTROLLING INTERESTS	**(68,119)**	(79,273)	(84,139)	(84,491)	(81,797)
	(473,769)	(365,770)	(81,090)	278,328	657,342