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

ANNUAL REPORT
年報
2021

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS
Cheung Ngai Lam
Chung Wai Man

NON-EXECUTIVE DIRECTOR
Ouyang Nong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Choy So Yuk, *BBS, JP*
Wu Zhao
Chen Wai Chung Edmund
Ang Mei Lee Mary

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

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

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

EXECUTIVE COMMITTEE
Cheung Ngai Lam
Chung Wai Man

AUTHORISED REPRESENTATIVES
Cheung Ngai Lam
Chiu Yuk Ching

COMPANY SECRETARY
Chiu Yuk Ching

AUDITORS
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PRINCIPAL BANKERS
Citic Bank International Limited
DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of Communications Co., Ltd
Bank of China (Hong Kong) Limited

Statement from the Board

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Silk Road Logistics Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021.

In the global arena, 2021 was a volatile year with notable progress made towards recovery and reopening. However, the path to normality was uneven and incomplete, repeatedly disrupted by the COVID variant outbreaks. This bumpiness is mirrored in the performance of the Group. During the report year, our business units had to tackle various degree of hindrance to resumption of operations as the pandemic dragged on. That said, although the short-term market conditions were marred by bottlenecks and bullwhip effects along the supply chains, the long-term prospects and opportunities remain bright and upbeat in the infrastructure sector and its intersection with the green technology space. In this regard, our integrated trading, warehouse and logistics business model will continue to serve as a cornerstone for our business development in these areas.

OUTLOOK

The global economy entered 2022 in a weaker position than previously expected. While it is fortuitous that the shockwaves from the Omicron variant are have been less disruptive than from the previous outbreaks, the global markets have been unnerved by the Russia-Ukraine war. The crisis has spurred rallies in all major commodity prices — oil, gas, metals and grains — adding further pressure on inflation. It has also caused a new round of supply chain disruptions at the presently congested transshipment hubs across Europe, with negative impacts beyond trade with Russia and Ukraine. The IMF has warned that the conflict and the ensuing international sanctions against Russia can have broad repercussions on the global economy.

As a result, the recovery will continue to be uneven and constrained, most notably so in the two largest economies. The earlier withdrawal of monetary accommodation and continued supply shortages have produced a downward drag for the United States. In China, pandemic-induced closures and the tightened credit conditions of property developers have posed headwind to production and investment activities. Going forward, monetary policy in most countries is likely to continue on a tightening path to curb inflation pressures, while fiscal policy will need to prioritize health and social spending to support the worst affected people. The global growth outlook is expected to soften in the medium term.

If we look past the economic uncertainty from lockdowns and geopolitical tensions, we can see that the pandemic is an accelerator of the underlying macroeconomic trends especially those in the information technology sector, providing a unique opportunity to boost digitalization and adopt new technologies across all industries. Enterprises will need further to adapt to the changing labor market landscape, retooling and reskilling workers in a more digital economy. When these steps are taken and followed through, the world can enjoy a higher long-term growth path dubbed the "Fourth Industrial Revolution".

Statement from the Board

For the Chinese economy in 2022, stability will be a priority. While government officials have cautioned against the triple pressure from demand contraction, supply shocks and weakening expectations, China's strong economic resilience and unchanged fundamentals still underpin its future development. The country will enter the next economic stage by rebalancing its economy along three dimensions: first, the shift from external demand to domestic demand and from investment-led growth to greater reliance on consumption and services; second, the setup of vibrant and yet risk-controlled markets for driving innovation and efficient allocation of capital and talent; and third, the transition from a high to a low-carbon economy.

Nowadays China has ascended to a middle-income country that leads the world in many areas of technology. The sectors in which China is either a global leader or close to the cutting edge include aspects of artificial intelligence such as facial recognition, quantum computing, wind and solar power, and ultra-high-voltage power transmission. These breakthroughs are paving the way for China to advance in the Fourth Industrial Revolution and the green economy. On the international level, the ensuing economic benefits will spill over from China and radiate throughout the region due to the country's continued openness for all its trading partners. In particular, the Belt and Road Initiative (BRI) will continue to support China's accent the technological frontier and strengthen the economic ties along East-West trade routes.

BUSINESS STRATEGIES

Over the past few years, the stream of infrastructure investments under the BRI has generated business opportunities for the Group. The projects have aimed to promote connectivity between the countries involved, contributing to the facilitation of trade and investment as well as the security of energy and resource supply. This form of international co-operation is a timely boost to economic development which has started to bear fruits, reshaping production and logistic chains. In the process, the participating Asian economies enjoy growth by elevating their respective global value chain positions. Against this backdrop, the Group has devised and implemented our business strategy of building an integrated trading, warehouse and logistics business model.

Needless to say, the global infrastructure deficit is immense despite the contributions from BRI projects. Over time, infrastructure in the broad sense of the term has only gained importance in the formulation of global economic development strategies, with new initiatives launched for realising the international cooperation. Last year the European Union unveiled its plan to support infrastructure development around the world. Global Gateway, as it is called, will mobilise €300 billion for this purpose from now to year 2027. G7 has a similar program under the banner of Build Back Better World, which aims to catalyze financially viable infrastructure projects from the private sector through lending-based financing. The sheer sizes of these new initiatives will provide continued momentum for quality investments.

Scales aside, a refocusing of the policy priorities on infrastructure investments is under way. The recovery after the pandemic will be different from the one after the 2008–09 financial crisis. This time round, both government stimulus programs and private sector investments will spearhead environmental sustainability. Countries are using their development plans to push through existing environmental policy agenda. Many of them, including China, have pledged to achieve carbon neutrality by around mid-century. Private corporations have also started to see themselves as partners in this movement and have made similar pledges. Corporate engagement in achieving sustainable development has proliferated in various forms, including impact investment, public-private partnerships (P3s), and Environmental, Social, and Governance (ESG) risk management. In essence, both public and private investments are placing emphasis on environmental impacts alongside financial return.

Statement from the Board

In terms of market basics, the transition to a green economy will be resource intensive. The mining and metals sector will need to deliver the vast quantities of raw materials required for energy transition and equipment upgrade. In the foreseeable future, an interplay between supply, demand, and pricing is expected to ripple across different metal commodities, with a cross feedback leading to technology invention and materials substitution. Although metals related companies will be expected to grow faster than ever before, demand is likely to outstrip supply because the planning and buildout requires long lead-time in this highly capital-intensive sector. This creates a long-term upside potential for metal commodity prices – an exciting market trend to tap into.

Taken together, the intertwined themes of infrastructure and green technologies provide golden opportunities for the Group to expand our business portfolio. In mapping out our corporate strategy, the Group will focus on asset-light projects, taking advantage of the trading and logistics platform we have established purposefully and organically. Our trading and logistics division is equipped with experienced personnel based in Hong Kong and other parts of Asia, and has also built up a well-connected network to keep our fingers on the market pulse and engage market participants for project exploration and realization. Hence, the Group is geared to meeting the demands arising from international economic cooperation and providing solutions to the explosive appetite for high-quality resources across the region.

In summary, the next wave of economic growth will be powered by the pursuit of digital and green transformation. This will not only enrich the livelihood of people in their roles as both workers and consumers but also mitigate the climate challenges faced by the humankind. The Group will try our best to profit from the blooming business environment created by the drive for futuristic technologies. The expansion of our business portfolio will create a virtuous cycle of synergies between our core competencies and capital investments.

Our corporate transformation into a commodity and logistics enterprise is vindicated by global macroeconomic dynamics and governmental policy agendas. In order to further increase shareholder value, the management will set our aim at increasing the Group's return on asset by means of asset-light business growth in the medium term. We are confident of achieving this goal given our colleagues' unabating effort to streamline the operations and improve organizational flexibility which started even before COVID surfaced. The resulted operational scalability will be the engine for value creation for our customers as well as profit growth for our investors. As market opportunities unfold, the Group will apply our established prudency standard in evaluating projects and investment proposals in the best interest of our shareholders.

APPRECIATION

I would like to express my heartfelt appreciation to my colleagues on all levels for being as one mind on advancing our business. My gratitude also goes to our shareholders, investors and partners for their unwavering support and wise counsel. I anticipate with great excitement the takeoff of the many projects in the pipeline. Our rise from the pandemic will go down as a defining moment for the Group.

Cheung Ngai Lam
Executive Director

Hong Kong, 29 March 2022

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2021, the Group recorded revenue from operations of approximately HK$13,647,000 (2020: approximately HK$34,609,000), representing a decrease of 60.6% from prior year. The Group's gross profit of the operations rise to approximately HK$5,578,000 for the year ended 31 December 2021 from approximately HK$1,697,000 recorded in 2020, with the gross profit margin at 40.9% (2020: 4.9%) 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 2021 to approximately HK$295,153,000 from that of about HK$376,908,000 recorded in the preceding year.

The finance costs for the year ended 2021 and 2020 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$447,826,000 (2020: HK$408,435,000). 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$69,197,000 (2020: HK$60,929,000).

In this year, the Group was resulted in the position of the net liabilities amounted to HK$286,497,000. It was reduced by HK$289,906,000 from the previous year of a net asset amounted to HK$3,409,000. The reduction was mainly due to the finance cost, and impairment of goodwill and interests in associates as state in the Business Review section.

BUSINESS REVIEW

The world has been grappling with the evolution of the coronavirus over the better part of the past year. Of late, the Omicron variant has overtaken the Delta variant as the latest dominant strain with an extreme spread rate and lower severity. As this new wave of the pandemic seems to have peaked in Europe and the United States in terms of hospitalization cases, the focus of the markets have returned to the underlying factors which determine economic recovery and corporate earnings. For the full year 2021, the U.S. economy rebounded strongly from the pandemic at a 5.7% annual rate. China also posted a solid GDP growth of 8.1% amid sporadic disruptions caused by COVID-19 resurgence and, among other things, energy constraints. All major economies have come a long way in managing the disease and shown resilience by adapting to the new situation.

In this difficult period, the Group's performance has been affected by both the pandemic and the changing long-term prospects of our projects. Another challenge arrived in November 2021 when The Stock Exchange of Hong Kong Limited (the "Stock Exchange") notified the Company that a decision to suspend the listing of the Company's shares had been made on the grounds of insufficient level of operations. In response, the Company submitted a written request for the decision to be referred to the Listing Committee for review. In February 2022, the Stock Exchange notified the Company that the Listing Committee decided to up hold the decision to suspend trading in the Company's shares. In March 2022, the Company submitted a written request to the Listing Committee for a further and final review. Currently the review is in progress and the final decision is yet to be reached. Meanwhile, shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company given the uncertainty of delisting.

Management Discussion and Analysis

Since the COVID-19 outbreak, the Group has worked relentlessly to resume the operations of all our business segments as far as the situation permits. In the second half of the report year, the progress of business recovery showed mixed results for our trading and logistics segment when the business units ventured to expand the customer base. While our core subsidiary Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics"), the primary source of revenue of the Group's operation in recent years, saw its trading volume decline, another subsidiary, Dongguan City Hai Hui Logistics Company Limited ("Hai Hui"), was successful in starting commodities trading business in the second half of the year. The Group expects that the segment can progressively resume business to a remarkable level. In total, revenue from trading segment amounted to approximately HK$7,324,000 in 2021, decreasing 74.9% from HK$29,129,000 in 2020. As aforementioned, in this year, the business of Qian'an Logistic was substantial declined. After the review by an independent external valuer, its business value fell. However, the assets owned by Qian'an Logistics still have a considerable value. As a result, the goodwill, which represented a premium over the net assets values, related to Qian'an Logistics was fully impaired with amounted to HK$55,960,000.

Oil prices climbed more than 50% in 2021, with the market swinging from demand concerns brought by the pandemic to supply concerns over the course of the year. As OPEC+ repeatedly refused the United States' call for increasing output, the rising crude demand pushed the oil price to over USD80 per barrel, reaching a seven-year-high level toward the end of 2021. U.S. Energy Information Administration has recently forecast that global oil consumption will return to the pre-pandemic level in the second half of this year. However, supply will be constrained at least in the short run by the Western sanction on Russian oil, sending the oil price to a further higher level. In Canada, RockEast Energy Corporation ("RockEast") of which the Group owns about 29.95% equity interest recorded a profit of approximately HK$15,891,000 for the full year 2021.

As to the disposal of the equity interest in the oil assets, RockEast has entered into a sales and purchase agreement with an independent third-party buyer which is supposed to close on or before 31 March 2022. The Company is obliged to accept this offer according to the drag-along right exercised by RockEast's majority shareholders holding 60% or more equity interest. On 4 March 2022, the disposal was completed and the proceeds amounted to CAD9,407,000 was subsequently transferred to the Company. As such, an impairment of interest in an associate amounted to HK$172,846,000 was recognised.

The debtor's turnover day of the Group in 2021 was 2 days compared with 3 days in 2020. It is in line with the credit period of the Group assign to the customers. In future, the Group will maintain its strict credit policy to customers with more emphasis on repayment quality. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. For the adoption of new HKFRS 9, the Group has measured the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. The management will continue to closely monitor the credit qualities and the collectability of the trade receivables.

Management Discussion and Analysis

OUTLOOK

The Omicron variant has compounded the existing supply chain woes with labour shortage and lockdowns at ports, warehouses and factories. The stress placed on the global supply chain has turned into an ongoing concern, causing certain merchandise shortage and fueling inflation pressure in the advanced economies. These pressures on cargo transport and production can only be expected to ease after this fast-spreading variant runs its course.

The global outlook of an above-trend (albeit slowing) growth is slightly dampened by this fifth wave of coronavirus outbreak and the earlier tightening in monetary conditions in the United States and other countries. To put inflation in perspective, its current elevated level is a result of consumer spending switching from services to goods while amplified by the bottlenecks in logistics. In this light, it is possible that inflation pressure could moderate toward the end of 2022 if demand rebalances toward services alongside a supply chain recovery. In this scenario, the prospects could improve because inventory rebuilding and the unwinding of supply chain disruptions will pave a more sustainable global recovery.

Without intense inflation concern, China has taken a comparatively cautious stance toward macroeconomic management to deal with credit stress associated with the property sector. Its central bank has pledged to adopt monetary policy tools to safeguard the economy against any possible demand contraction and supply shocks. Against this policy backdrop, the Group will restart our growth engine in the supportive macro environment and the continued growth trajectory.

The Group's immediate goal is to restore the revenue and profitability of our trading and logistics segment. For this purpose, we will perform business selection with emphasis on better asset utilization and creditworthiness of the counterparty. First, the Group aims to tap into the potential of our strategically located logistics and warehousing facilities as a ready source of revenue. In addition to building out a quality customer base for long term cooperation, other options are also being explored including leasing out part of the facilities according to the market situation. Second, the Group will minimize the counterparty risk with a prudent selection of business partners. For this reason, our subsidiaries in the logistics unit will actively bid for contracts with reputable entities by positioning ourselves as a value service provider. The Group will rely on our strength and expertise in commodity trading and logistics in recovering business in a reasonable timeframe.

For the medium run, our corporate growth will hinge on the scalability of our business projects. It is in this consideration that, as announced in October 2021, we have planned to make a foray into iron ore trading by entering an MOU with an Australia-based mining company. Both parties are now working closely together to flesh out the logistics arrangements in preparation of the iron ore supply coming online. Our experienced personnel based in Hong Kong and Mainland China are poised to commence trading operations with commodity buyers as soon as the plan materialises. The Group is in pursuit of this form of asset-light growth that can utilize our trading and logistics platform built over the years and can also boost our return on asset.

With the end of the tunnel in sight, we are confident that the Group will emerge from the pandemic stronger and leaner than before. The test of our determination and endurance have strengthened our bond and trust with one another as well as our clients, signifying what the brand Silk Road stands for.

Management Discussion and Analysis

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 2021, the Group had total other borrowings in the amount of approximately HK$488,494,000 (31 December 2020: HK$443,960,000), representing an increase of HK$44,534,000. The Group's other borrowings amounted to HK$488,356,000 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$37,208,000 is charged at floating interest rates, and HK$451,286,000 is charged at fixed rate. The Group's cash and bank balances of approximately HK$974,000 were 67.2% denominated in RMB, 1.4% in USD and 31.4% in HK$.

As at 31 December 2020 and continued in 2021, 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$447,826,000 (2020: HK$408,435,000). It is denominated in HK$ 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

The Group disposed the interest in its associate, RockEast, please refer to note 24 to the consolidated financial statements for details.

EMPLOYEES

As at 31 December 2021, the total number of employees of the Group was approximately 30 (2020: 33). 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 2021 and 31 December 2020, there were no outstanding share options granted under the new scheme.

Management Discussion and Analysis

CHARGE OF GROUP ASSETS

As at 31 December 2021, no property (2020: Nil) is pledged as securities for the Group's banking facilities.

GEARING RATIO

As at 31 December 2021, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 291.7% (2020: approximately 119.3%). Net debt represents the aggregate amount of the Group's interest-bearing bank and other borrowings, the liability component of convertible bonds, the non-current portion of the amount loans due to related parties and promissory note less cash and cash equivalents of the Group. Total capital represents total equity attributable to the owners of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

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

CONTINGENT LIABILITIES

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. This civil complaint is still in process. The effects of the appeal of the Haitong Civil Complaint on the Group cannot be assessed at this moment. No provision for the Haitong Civil Complaint has been made in the consolidated financial statements.

Management Discussion and Analysis

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 was borne by Haotai. No provision for the litigation has been made in the consolidated financial statements.

CAPITAL COMMITMENT

There was no material capital commitment as at 31 December 2021 (2020: nil).

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Loan Agreement

On 27 January 2022, the Company as borrower entered into the loan agreement with Yick Chuen Credit Limited, the substantial shareholder of the Company, as lender, pursuant to which the lender agreed to advance the loan with a maximum principal amount of HK$10,000,000 to the Company for a term of two years from the respective drawdown dates at an interest rate of 10% per annum. The loan to the extent of HK$1,060,000 was drawn by the Company as at 31 December 2021. Subject to the approval of the independent shareholders of the Company at the special general meeting, the loan will be secured by the share charge to be executed by a wholly-owned subsidiary of the Company as charger to charge the entire issued share capital of Wealth Delight International Holdings Limited owned by the chargor and the deed of assignment to be executed by the subsidiary of Wealth Delight International Holdings Limited as assignor, both in favour of the lender, as continuing security for the repayment obligation of the Company under the loan agreement. The transactions stipulated in the loan agreement (including execution of the share charge and the deed of assignment) constitute connected transactions of the Company and are subject to, inter alias, independent shareholders' approval at the special general meeting to be held on 19 April 2022.

Sale of Interest in an Associate Company

The Group disposed of its associate, RockEast, details of which are set out in note 24 to the consolidated financial statements.

Management Discussion and Analysis

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 Rules Governing the Listing of Securities on the Stock Exchange (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 (the "LC Decision"). 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 (the "LRC Review") pursuant to Rule 2B.06(2) of the Listing Rules. Up to the date of this report, the outcome of the LRC Review is uncertain. For further details, please refer to the announcements of the Company dated 28 November 2021, 6 December 2021, 27 February 2022 and 7 March 2022.

USE OF NET PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE

In September 2021, the Company completed the issue of 42,857,142 new shares of the Company (the "Issue") and raised net proceeds of approximately HK$5,700,000. Part of the aggregate subscription price in the amount of HK$3,000,000 was satisfied by the subscriber to the Company by setting off against the equivalent amount of the debt on a dollar-for-dollar basis. The remaining net proceeds in the amount of approximately HK$2,700,000 was used for the general working capital of the Group. As at 31 December 2021, the proceeds from the Issue was being used up.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021.

Biography of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Cheung Ngai Lam ("Mr. Cheung"), aged 53, was appointed as an executive Director and a member of the executive committee of the Company (the "Executive Committee") on 4 June 2021. 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 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 64, 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 60, 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 71, 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 is 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 44, 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 ("Mr. Chen"), aged 49, 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 58, 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. Kwok Kam Tim, aged 45, 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 Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators. 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 2021

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 2021.

A. CORPORATE GOVERNANCE PRACTICES

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 complied with the respective code provisions of the Corporate Governance Code (the "CG Code") as set out in 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 2021, except for the following deviations:

Code provisions A.2.1 to A.2.9

Code provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company currently has no chairman or chief executive officer. All Directors together bring diverse experience and expertise to the Board. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. Although there is no chairman or chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss the key and appropriate issues affecting the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively. The Board will keep reviewing the current structure of the Board from time to time and should a candidate with suitable knowledge, skill and experience be identified, and at appropriate time, arrange for election of the new chairman of the Board and appointment of the chief executive officer.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. Two independent non-executive Directors ("INED" or "INEDs") namely, Ms. Choy So Yuk ("Ms. Choy") and Mr. Leung Yuen Wing (who has resigned as an INED in January 2021) were not appointed for a specific term. However, all Directors are subject to the retirement provisions in the Bye-laws of the Company which provides that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provisions A.6.7 and E1.2

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. In addition, code provision E1.2 provides that the chairman of the board should attend the annual general meeting. The INEDs, Mr. Wu Zhao and Mr. Wong Chun Hung (resigned as an INED with effect from 1 July 2021) had not attended the annual general meeting ("2021 AGM") and the special general meeting (the "2021 First SGM") both held on 3 June 2021 due to other commitments which must be attended to by them. The INEDs, Mr. Wong Chun Hung and Ms. Choy had not attended the special general meeting held on 30 June 2021 (the "2021 Second SGM") due to other commitments which must be attended to by them. As stated above, the Company did not have Chairman during the period under review, no chairman could attend the 2021 AGM, the 2021 First SGM and the 2021 Second SGM. However, the then executive Director, Mr. Meng Fanpeng acted as the chairman of the 2021 AGM, the 2021 First SGM and the 2021 Second SGM, the then non-executive Director, Mr. Qin Bo and the INED, Ms. Choy had attended the 2021 AGM and the 2021 First SGM, the then non-executive Director, Mr. Choi Wai Hong Clifford, and the INEDs, Mr. Wu Zhao, had attended the 2021 Second SGM and answered questions raised by the shareholders.

Code Provision A.7.1

Under code provision A.7.1, for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors at least 3 days before the intended date of a board meeting or board committee meeting. Since additional time was required to prepare the board papers for the meetings, in some occasions, the board papers were not sent to all Directors 3 days before such meetings. The Company will do its best to send the board papers at the earliest possible time to meet the CG Code requirements in future.

Listing Rules Compliance

Compliance with Rule 3.10

According to Rule 3.10 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise (the "Required Qualifications"). According to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must be comprising of non-executive directors only with a minimum of three members and at least one of whom is an independent non-executive director with the Required Qualifications.

Upon the resignation of Mr. Wong Chun Hung as an INED with effect from 1 July 2021, the Board comprises five members with two executive Directors, one non-executive Director and two INEDs. As a result, the number of INED fell below the minimum number. The Board has lacked of at least one INED with the Required Qualifications under Rule 3.10 of the Listing Rules. The members of the Audit Committee comprises no INED with the Required Qualifications and the number of members has reduced to two which is below the minimum number prescribed under Rule 3.21 of the Listing Rules. The Company appointed Mr. Chen Wai Chung Edmund who processes the Required Qualifications as an INED on 29 September 2021 to fulfill with the relevant Listing Rules requirements. As at the date of this report, the Company has complied with Rule 3.10 and Rule 3.21 of the Listing Rules.

Rule 13.24 of the Listing Rules

Please refer to note 44(c) to the consolidated financial statements.

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 2021.

C. BOARD OF DIRECTORS

During the year, there were changes to the composition of the Board. On 22 January 2021, Mr. Leung Yuen Wing and Mr. Liu Wei resigned as INEDs and Mr. Wong Chun Hung was appointed as an INED. On 3 June 2021, Mr. Zou Mingwu retired as INED. On 4 June 2021, Ms. Yang Yi resigned as executive Director and Mr. Qin Bo resigned as non-executive Director while Mr. Cheung Ngai Lam and Mr. Chung Wai Man were appointed as executive Directors and Mr. Choi Wai Hong Clifford was appointed as non-executive Director. On 1 July 2021, Mr. Meng Fanpeng resigned as executive Director and Mr. Wong Chun Hung resigned as an INED. On 4 July 2021, Ms. Wong Kai Ling resigned as an executive Director. On 29 September 2021, Mr. Chen Wai Chung Edmund and Mr. Ouyang Nong were appointed as INED and non-executive Director respectively. On 14 December 2021, Mr. Choi Wai Hong, Clifford resigned as non-executive Director and Ms. Ang Mei Lee Mary was appointed as an INED.

The Board currently comprises two executive Directors, namely Mr. Cheung Ngai Lam and Mr. Chung Wai Man; one non-executive Director, namely Mr. Ouyang Nong, and four INEDs, namely Ms. Choy, 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 the 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, 26 Board meetings, the 2021 AGM and two special general meetings were held. The attendance records of individual Director are as follows:

Directors	Board Meetings No. of meetings attended/held	2021 AGM No. of meeting attended/held	2021 First SGM (3 June 2021) No. of meeting attended/held	2021 Second SGM (30 June 2021) No. of meeting attended/held
Executive Directors				
Mr. Cheung Ngia Lam (appointed on 4 June 2021	17/17	0/0	0/0	1/1
Mr. Chung Wai Man (appointed on 4 June 2021)	17/17	0/0	0/0	1/1
Ms. Wong Kai Ling (resigned with effect from 4 July 2021)	9/11	1/1	1/1	1/1
Mr. Meng Fanpeng (resigned with effect from 1 July 2021)	10/11	1/1	1/1	1/1
Ms. Yangyi (resigned with effect from 4 June 2021)	9/9	1/1	1/1	0/0
Non-Executive Directors				
Mr. Ouyang Nong (appointed on 29 September 2021)	7/7	0/0	0/0	0/0
Mr. Choi Wai Hong Clifford (appointed on 4 June 2021 and resigned with effect from 14 December 2021)	13/15	0/0	0/0	1/1
Mr. Qin Bao (resigned with effect from 4 June 2021)	9/9	1/1	1/1	0/0
Independent Non-executive Directors				
Ms. Choy So Yuk	25/26	1/1	1/1	0/1
Mr. Wu Zhao	25/26	0/1	0/1	1/1
Mr. Chen Wai Chung Edmund (appointed on 29 September 2021)	7/7	0/0	0/0	0/0
Ms. Ang Mei Lee Mary (appointed on 14 December 2021)	1/1	0/0	0/0	0/0
Mr. Wong Chun Hung (appointed on 22 January 2021 and resigned with effect from 1 July 2021)	5/10	0/1	0/1	0/1
Mr. Zou Mingwu (retired from 3 June 2021)	8/8	0/1	0/0	0/0
Mr. Leung Yuen Wing (resigned with effect from 22 January 2021)	0/0	0/0	0/0	0/0
Mr. Liu Wei (resigned with effect from 22 January 2021)	0/0	0/0	0/0	0/0

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) 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 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. The nomination committee of the Company has assessed and is satisfied of Ms. Choy's independence. 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 A.6.5 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. 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 provided reading materials to the Directors to update them on the latest developments and changes to the Listing Rules, including Corporate Governance Guide for Board and Directors, Guidance on Climate Disclosures, Guidance Letter on Sufficiency of Operation, Annual Investigation and Compliance Report and Interim Inspection Report. Mr. Cheung Ngai Lam also attended other seminars/training courses relevant to his duties as a director.

During the year, induction had been given to the newly appointed Directors, and the lawyer of the Company had provided training to these Directors on the duties and responsibilities of 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.

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

A – Attending training session provided by the Company to the newly appointed Directors.

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 separated and performed by different individuals.

Before the resignation of the former chairman and chief executive officer, the Company separated the roles of chairman and chief executive officer. The chairman was mainly focus on the strategic planning and development of the Group while the chief executive officer was responsible for the day-to-day management and oversees the Group's operational activities. As mentioned above, currently, the Company has no chairman and chief executive officer, all Directors together bring diverse experience and expertises to th Board while the daily operation and management of the Company is monitored by the executive Directors as well as senior management. The Company will continue to identify suitable persons to fill the vacancies of chairman and chief executive officer as appropriate.

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, and each of 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. As mentioned in Paragraph A above, two of the INEDs namely Ms. Choy and Mr. Leung Yuen Wing (resigned with effect from 22 January 2021) were not appointed for a specific term. However, Ms. Choy is 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

During the year, Ms. Wong Kai Ling, Ms. Yangyi and Mr. Meng Fanpeng ceased to act as members of the executive committee of the Company (the "Executive Committee") upon their resigning as executive Directors, and the new executive Directors were appointed members of the Executive Committee. The Executive Committee currently comprises two executive Directors, namely Mr. Cheung Ngai Lam and Mr. 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

During the year, Mr. Leung Yuen Wing, Mr. Wong Chun Hung ceased to act as members of the remuneration committee of the Company (the "Remuneration Committee") following their resignation as INEDs, and the new INEDs were appointed members of the Remuneration Committee. The Remuneration Committee currently comprises four INEDs, namely Ms. Choy (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; and

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

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 5 meeting 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	4/5
Mr. Wu Zhao	5/5
Mr. Chen Wai Chung Edmund (appointed on 29 September 2021)	2/2
Ms. Ang Mei Lee Mary (appointed on 14 December 2021)	1/1
Mr. Wong Chun Hung (appointed on 22 January 2021 and resigned with effect from 1 July 2021)	0/1
Mr. Leung Yuen Wing (resigned with effect from 22 January 2021)	0/0

During the year, the Remuneration Committee has considered the policy for the remuneration of the Directors, reviewed, considered and made recommendation to the Board on the remuneration packages of the Directors, including the executive Directors by reference to the duties, responsibilities, contributions as well as the financial position of the Company. 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) to the consolidated financial statements.

Nomination Committee

During the year, Mr. Liu Wei, Mr. Leung Yuen Wing, Mr. Wong Chun Hung and Ms. Wong Kai Ling ceased to act as the chairman and a member of the Nomination Committee respectively after their resignation as INEDs or executive Director (as the case may be), and the new INEDs and executive Director were appointed as members of the Nomination Committee. Currently, the Nomination Committee 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 6 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 (chairman)	5/6
Mr. Wu Zhao	6/6
Mr. Chen Wai Chung Edmund (appointed on 29 September 2021)	2/2
Ms. Ang Mei Lee Mary (appointed in on 14 December 2021)	1/1
Mr. Cheung Ngai Lam (appointed 4 July 2021)	3/3
Mr. Wong Chun Hung (appointed in January 2021 and resigned with effect 1 July 2021)	1/2
Ms. Wong Kai Ling (resigned with effect 4 July 2021)	3/3
Mr. Liuwei (resigned with effect from 22 January 2021)	0/0
Mr. Leung Yuen Wing (resigned with effect from 22 January 2021)	0/0

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, the Board Diversity Policy and the Nomination Policy. The Nomination Committee considered the Board to possess a diversity of perspectives which is appropriate to the Group's requirement. The Nomination Committee also reviewed the independence of INEDs, discussed and approved recommending to the Board the appointment of executive Directors, non-executive Director and INEDs. The Nomination Committee has 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 has taken into account a range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge, reputation for integrity 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 the Board Diversity Policy 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.

Audit Committee

In January 2021, Mr. Leung Yuen Wing resigned and Mr. Wong Chun Hung was appointed the chairman of the Audit Committee; and Mr. Wong Chun Hung resigned as the chairman of the Audit Committee in July 2021. According to Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members, and at least one of whom is an independent non-executive Director who has the Required Qualifications. Following the resignation of Mr. Wong Chun Hung, the Audit Committee did not have INED with the Required Qualifications. In September 2021, the Company appointed Mr. Chen Wai Chung Edmund, who has the Required Qualifications, as the chairman of the Audit Committee to comply with the relevant Listing Rules requirements.

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 of no less exacting terms than those stipulated in the CG Code and 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 three meetings to review financial reporting matters and other areas of concerns during the audit, the recommendations by the external professional on enhancement of internal control and risk management. The external professional has not identified any significant control failings and the Audit Committee considers that save for the Rules 13.24 of the Listing Rules in relation to sufficiency of operations, the risk management and internal control systems are still effective to safeguard the interests of the shareholders. It also reviewed the Group's annual and interim report for the year with recommendations to the Board for approval, it also 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, 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 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,* appointed in September 2021)	1/1
Ms. Choy So Yuk	3/3
Mr. Wu Zhao	3/3
Ms. Ang Mei Lee Mary (appointed in December 2021)	1/1
Mr. Wong Chun Hung (appointed in January and resigned in July 2021)	1/1
Mr. Leung Yuen Wing (resigned in January 2021)	0/0

The audited financial statements and the annual report of the Company for the year ended 31 December 2021 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 the Company's policies on corporate governance, the Board Diversity Policy, Dividend Policy, Guidelines on Disclosable and Connected Transactions, Guidelines on disclosure of Inside Information, 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$850,000 (2020: HK$768,000), and the non-audit service provided to the Company for the year 2021 amounted to HK$230,000 (2020: HK$110,000). The non-audit service is for review of the interim results.

I. FINANCIAL REPORTING

The management provides financial information and position and prospects of the business of the Group to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

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 2021, 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. The Directors' responsibilities in the preparation of the consolidated financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report.

The current liabilities of the Group at 31 December 2021 exceed the Group's current assets at that date by approximately HK$562,668,000; which includes the other borrowings and the promissory notes payable amoundted to HK$488,356,000 and HK$69,197,000 respectively; the total liabilities of the Group exceed the Group's total assets by approximately HK$286,497,000; and the Group incurred net loss of approximately HK$302,679,000 for the year ended 31 December 2021. 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:

Management of the Group 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.

In view of the extent of the material uncertainties relating to the results of those measure to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, the auditors of the Company have disclaimed their audit opinion on the consolidated financial statements.

Should the going concern assumption be inappropriate and the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their 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 Audit Committee assists the Board in fulfilling its Corporate Governance roles in the Group's financial operational, compliance, risk management and internal controls, and the resourcing of the finance & internal audit functions. 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 and will be reviewed annually.

The Board review effectiveness the internal control and risk management. The Group has engaged an independent professional 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 has also carried out the internal audit functions annually by reviewing and evaluating the adequacy and effectiveness of the risk management and internal control system of the Group.

The Board has reviewed the Enterprise Risk Assessment Report, the Internal Control Review Report and the Internal Control Follow Up Review Report prepared by the independent professional. The review of the internal control and risk management covered major financial, operational, compliance and risk management aspects 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. Recommendations for improving control weakness have been provided. Appropriate measures will be implemented so as to resolve internal control deficiencies and enhance the risk management system, if necessary. Save for the Rule 13.24 of the Listing Rules in relation to the insufficiency of operations issue (please refer to note 44(c) to the consolidated financial statements for details), the systems were considered adequate in general to safe guard the interests of the shareholders investments.

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.

Policies for disclosure of inside information had been established and are in order to facilitate the escalation of information to the responsible persons for determining the need of disclosure.

K. COMPANY SECRETARY

Ms. Chiu Yuk Ching, 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 shareholders holding 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 to put forward proposals at an annual general meeting or special general meeting. The proposal must be made in writing and contain detail contact information and submit to the Company Secretary at the Company's principal place of business in Hong Kong. The procedure for putting forward proposals at general meeting is available on the website of the Company.

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.

In addition, Shareholders are encouraged to attend the Company's annual general meeting which provides a useful forum for shareholders to 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.

The Company has also complied with the requirements of the Listing Rules and the Bye-laws in respect of voting by poll and other related matters.

N. INVESTOR RELATIONS

There was no change to the Company's Bye-laws during the financial year 2021. A copy of the latest Bye-laws are posted on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Silk Road Logistics Holdings Limited (hereinafter referred to as "Silk Road") which is an investment holding company, and its subsidiaries (collectively, the "Group" or "we") principally engages in commodity trading; oil exploration, refining, production and sale; as well as logistics and warehousing which has become one of the Group's major business activities since 2015. 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 2021 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 (http://www.silkroadlogistics.com.hk).

Reporting Scope

The Report presents the Group's ESG management approach, performance and material topics within its core business from 1 January 2021 to 31 December 2021. The scope of the Report covers Silk Road Logistics (Qian'an) Co., Ltd. (referred to as the "Company"), a core subsidiary of the Group, which is principality engaged in commodity trading, logistics and warehousing business. 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 2021.

Environmental, Social and Governance Report

Preparation Principles

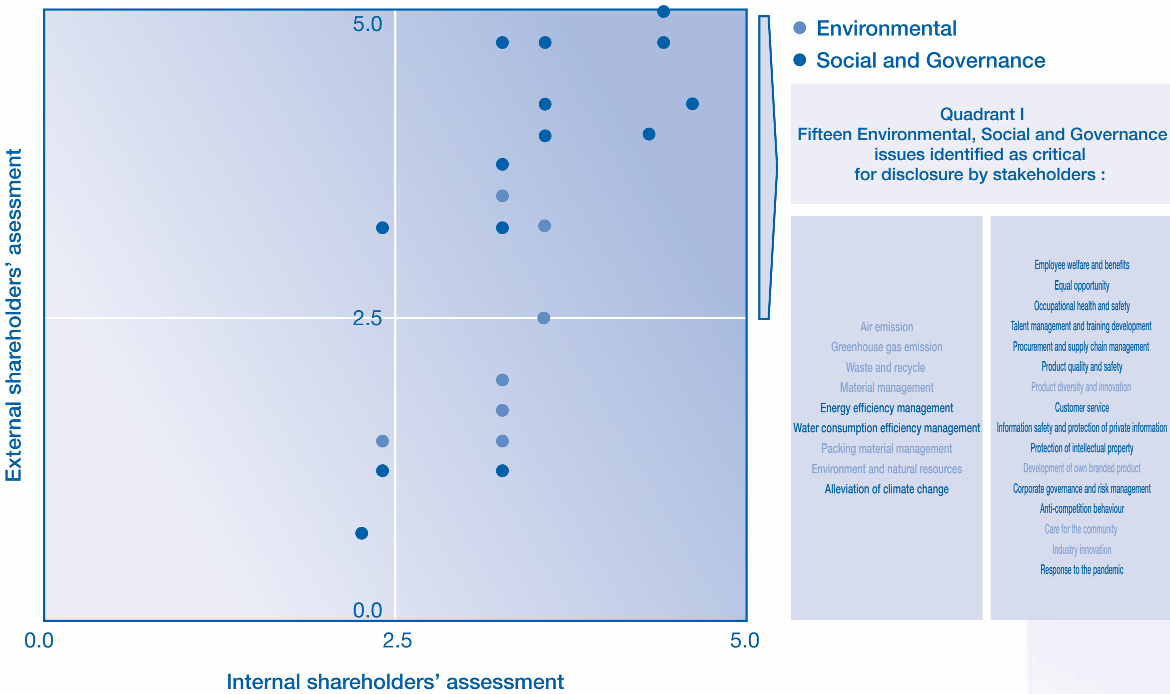
The Report has been compiled and presented in accordance with the ESG Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange ("HKEx ESG Reporting Guide") and is published annually.

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 environmental, social and governance report of 2021 reviewed the performance of the operating environment in the past year, and identified for the first time the material issues and the priority of exploring material issues. After the participation by the Board and senior employees, we have concluded a timelier and more confident material analysis.

We used the materiality matrix to determine the fifteen identified issues in "quadrant I" of the matrix as the critical disclosure (see the figure below), while there are three issues in "quadrant III" of the matrix that are identified as not required for disclosure. In the environmental and social "comply or explain" provisions in the Reporting Guide by the Stock Exchange, there are eight provisions judged as mandatory disclosure due to materiality.

For detailed discussion please refer to the section headed "Materiality Assessment" of the Report.

Environmental, Social and Governance (ESG) issues Materiality Matrix



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 data is provided with narrative to explain its 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 judgement of readers. Achievements and rooms 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 for meaningful comparison in future.

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 comply 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 the Management not only explain the operational status of the Group, but also listen directly to feedbacks from shareholders, facilitating two-way communication between 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 in the website of Silk Road, including financial information and reports, changes in and list of directors as well as other important information such as 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	Ways of communication	Issues of concern
Investors	Maintain close, transparent and efficient communications with stakeholders via annual general meetings and special general meetings, emails, phones, announcements and so on.	• Service quality • Corporate governance and risk management • Information disclosure and investor relations
Customers	Customers can express their views via telephone, e-mail, etc., and the staff from the customer service department gives 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 • The environment and natural resources
Industry associations	Organise 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 to 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, in order to understand the knowledge and vision of stakeholders in the environmental, social and governance aspects, the Group for the first time made assessment by collecting opinions from a Director and stakeholders through stakeholder questionnaire. We adopted four steps in making our assessment: identification of material issues, collection of stakeholders' opinion, determination of material issues and future works.

Environmental, Social and Governance Report

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 by the Stock Exchange;
- Starting from the four dimensions of economy, environment, society and governance;
- Integrating the development trend of the country and the industry;

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

Issues Identified for Disclosure		
Air emissions	Employee welfare and benefits	Information safety and protection of private information
Greenhouse gases emissions	Equal opportunity	Protection of intellectual property
Waste and recycled materials management	Occupational health and safety	Research and development of our own brand products
Energy efficiency management	Talent management and training development	Corporate governance and risk management
Water management	Procurement and supply chain management	Anti-competition behaviours
Packaging materials management	Product quality and safety	Participation in local communities
The environment and natural resources	Product diversity and innovation	Industry innovation
Climate change	Customer service	Response to the pandemic

Collection of Stakeholders' Opinion

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 also collected feedbacks from Director and employees totally 5 stakeholder representatives of the Group via questionnaire, in order to rate each of the relevant identified issues.

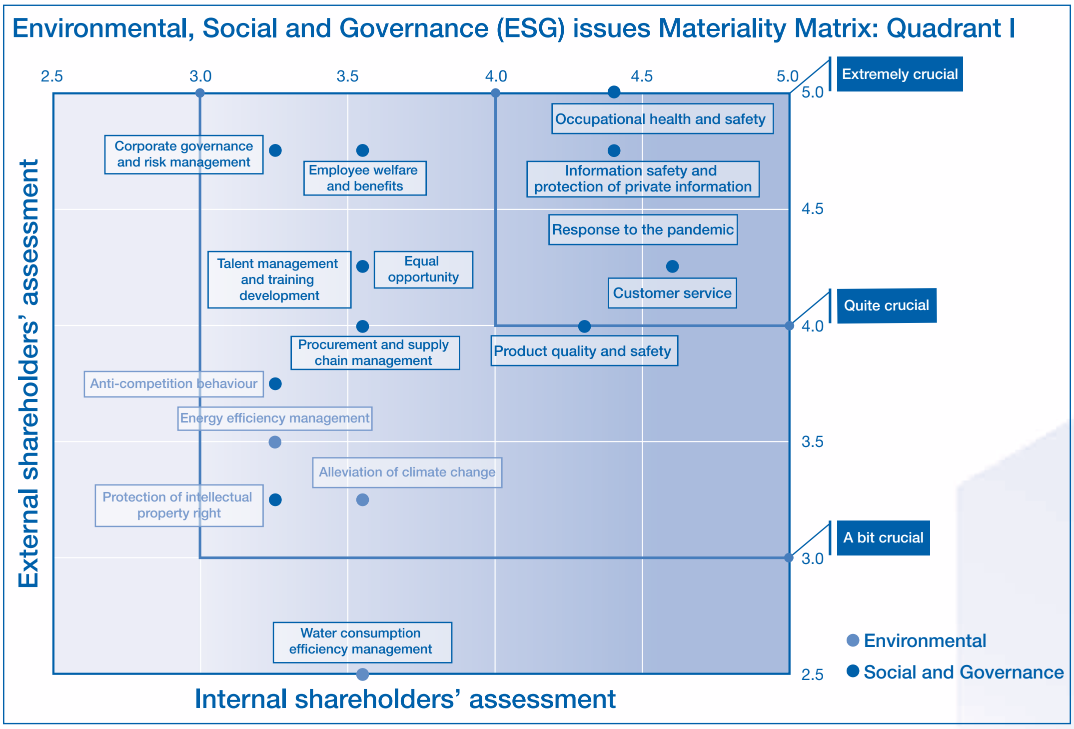
Environmental, Social and Governance Report

Determination of Material Issues

During the preliminary phase, we used the materiality matrix as the analytical tool, from which we understand that the fifteen identified issues in "quadrant I" of the matrix are the critical disclosure, while the three issues in "quadrant III" of the matrix that are identified as not required for disclosure are packaging materials management, industry innovation and research and development of our own brand products, respectively. In the environmental and social "comply or explain" provisions in the Reporting Guide by the Stock Exchange, there are eight provisions judged as mandatory disclosure due to materiality: use of resources (A2), climate change (A4), employment (B1), health and safety (B2), development and training (B3), supply chain management (B5), product responsibility (B6) and anti-corruption (B7).

We then further reviewed the fifteen material issues determined. We identified the priority within the fifteen material issues in "quadrant I" by the materiality matrix, providing a reliable knowledge base for implementing environmental, social and governance strategic optimization and risk reduction in the future.

By level of importance, the first ten material issues are ranked as follows (shown in dark blue title): occupational health and safety, information safety and protection of private information, response to the pandemic, customer service, employee welfare and benefits, product quality and safety, corporate governance and risk management, equal opportunity, talent management and training development, procurement and supply chain management.



Future Work

Based on opinion from stakeholders, we will continue to deal with the matters that are concerned by stakeholders. In the next year, we can extend the classification of stakeholders participating in questionnaire having the theme of sustainable development, further realizing the principle of materiality reporting, in order to generate materiality assessment results that are more representative.

Summary of Governance Statement

The Group is committed to performing our corporate social responsibility in business operation and incorporating the principle of sustainability into our vision and corporate governance structure. The Group examines the environmental, social and governance issues related to business development, in order to minimize impacts on the environment and our society.

The Group actively considers the environmental, social and governance issues in making decisions to eliminate the risks brought to business operation, and to explore opportunities amidst the constantly changing market. As the highest decision-making and management body, the Board is responsible for formulating the overall strategy of the Group, setting business directions and monitoring business performance, establishing the targets for use of resources and waste management, and partially delegating powers and duties to members of the management. Members of the management will annually identify operation risks and assess the efficiency of risk management and internal monitoring and controlling system, and report to the Board. The Board will review the efficiency of the environmental, social and governance plans in the Board meeting every year, which includes the review of the respective environmental, social and governance performance using the key indicators of the targets and reporting requirements established as the main consideration. In order to sustainably improve governance structure, the Board will also review the environmental, social and governance policies and their implementation, to ensure compliance with the environmental, social and governance standards of the Group.

Risk Assessment

The Company has now incorporated the environmental, social and governance factors into the existing risk management and internal control 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 impacts:

Risk Level	Issue
Medium	Water consumption efficiency management Mitigation of climate change Corporate governance and risk management Employee welfare and benefits Equal opportunity Talent management and training development Procurement and supply chain management Customer service
Low	Air emissions Greenhouse gases emissions Waste and the recyclable management Energy efficiency management Packaging materials management Use of natural resources Occupational health and safety Product diversity and innovation Information safety and protection of private information Protection of intellectual property rights Anti-competition/anti-trust behaviours Caring communities Industry innovation Response to the pandemic
Very low	Product commitment and safety Research and development of own brand products

Outlook, Challenge and Opportunity

The Group plans to establish an environmental, social and governance committee (the "Committee") next year, incorporating the environmental, social and governance (including climate-relevant) matters into the major governance process and structure, enhancing the monitoring of the Board. The Committee will be responsible for managing daily operation, including formulating, implementing and monitoring strategies and plans, and is supported by representatives from each department.

Environmental, Social and Governance Report

In view of future challenges like slowdown in the global economy, we will be perfecting our procurement policies or storage service to cope with unforeseeable supply chain incidents; we will also stay away from regions or markets that are politically turbulent/unstable in accordance with the social, economic and business circumstances. Through sustainable development strategies and reporting works, the Group wishes to reduce the environmental, social and governance risks and related costs, protect the environment to take up corporate social responsibility and give back to the society; at the same time increasing market share/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 each of the different 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 as well as fulfils the continual commitment on 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 (“PRC”) and the Environmental Protection Tax Law of the PRC to enhance pollution control and environmental protection. In line with the national policies, the Company implements relevant environmental protection measures in its scope of business. During the Reporting Year, the Company did not have any breach of the 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 main source of exhaust gas emission of the Company is the emission of 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 source, including monitoring of exhaust gas emissions from various equipment and implementing air emission controls, for example the company vehicles are required to be inspected within a specified period in accordance with the relevant regulations of tail gas, to ensure that the Company’s vehicles have passed the vehicle emission test.

The Company understands that long-distance transportation of commercial business trips increases energy consumption and leads 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 in turn reduces 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. High-speed rail is preferred if it is available because it is powered by electric energy, thus it is both convenient and effective in substantially reducing emission of exhaust gases.

With the implementation of the above measures, exhaust gas emissions are decreasing gradually from 2018 to 2020, and each of the emissions is reduced by no less than 20%, of which SOx is reduced by 80%. However, due to the Company's newly added data collection this year in regards to canteen gas consumption, NOx and SOx have increased 971,292% and 307,335% respectively. The results are set out in the following table:

Air emissions[1,2]	**2021**	2020	2019
NOx (kg)	**6,177,428.62**	6.36	8.22
SOx (kg)	**30,733.48**	0.10	0.55
PM (kg)	**0.53**	0.47	0.60

Monitoring Greenhouse Gas ("GHG") Emissions

The Company's direct GHG emissions ("Scope 1") cover the emissions from 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 10.7% of the Company's total GHG emissions, while Scope 2 emissions accounted for 89.3%.

The Company's GHG emissions are emissions 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 have analysed abnormal electricity consumption through recording monthly electricity consumption, and setting out power-saving measures. We did not utilise air conditioners for heating during the 2021 winter heating season, and our electricity consumption reduced by 5 % comparing to 2020. 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.

GHG emissions are on the decrease after the Company implemented the above measures. However, during the Reporting Year, our Company's Scope 1 emissions increased significantly due to our newly added data collection in regards to canteen gas consumption this year, leading to growth in total GHG emissions and intensity by nearly 6% per year.

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

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

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

GHG emissions	2021	2020	2019
Number of operating facilities	**6**	6	5
Scope 1 (tonne carbon dioxide equivalent "tCO_{2e}")	**87.97**	19.08	90.9
Scope 2 (tCO_{2e})	**733.30**	758.40	873.8
Total emission and intensity			
(tCO_{2e})	**821.27**	777.48	964.7
(tCO_{2e}/operating facility)	**136.88**	129.58	192.9

Waste Management

The Company adopts appropriate reduction measures against various types of wastes to reduce their damage to the environment. Under the applicable circumstances, relevant wastes are classified and recycled for effective reduction of waste quantities and fulfilment of corporate social responsibility. Since logistics and warehousing, as well as commodity trading are the principal businesses of the Company, only a very small amount of office hazardous waste is produced, mainly toner cartridges from this year and printer toner from last year. The Company's major type of non-hazardous waste is domestic garbage.

For reducing those 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 papers, plastics, etc. are sent to recyclers for appropriate handling. The effects of waste reduction measures are significant; the total amount of non-hazardous waste generated by the Company is increased by 28% as compared with that of previous year, while the total amount of non-hazardous waste generated is reduced by 50% comparing with the previous year.

Waste reduction target

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

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

	2021	2020	2019
Number of operating facilities	**6**	6	5
Total amount and intensity of non-hazardous wastes generated			
(tonne)	**3.53**	2.76	4.01
(tonne/operating facility)	**0.59**	0.46	0.80
Total amount and intensity of hazardous wastes generated			
(tonne)	**0.0042**	0.0085	–
(tonne/operating facility)	**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 create limited environmental impacts, it is our priority to cultivate a green business culture. We have worked out policies and guidelines for green offices and warehouses in the logistics park to reduce resources consumption by giving priority to environmental sustainability in our operations through working together with our employees to reduce cost, risks and environmental impacts. The management of resource consumption covers three aspects: raising of 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 office.

Energy consumption efficiency target

The consumption of electricity reduced by 3% as compared with 2020.

We have shut down two thirds of the unnecessary lighting road lamp in offices and warehouses, and also two thirds of the lighting lamps in warehouses.

Environmental, Social and Governance Report

Energy Conservation

- Use of LED energy-saving lighting: the Company's road lamps have all been replaced with LED lamps
- If there are operational issues with energy-saving 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
- Execute control on electricity consumption in accordance with the internal regulation of energy conservation and consumption. Employees are required to participate in activities of energy conservation and emission reduction. Temerature of air-conditioning is maintained at optimal temperature 26°C

Water Conservation[3]

- Automatic flushing systems are installed in washrooms
- Employees are required to timely report to their department heads for arranging repair of leakage faucets as soon as possible
- Total water consumption is reported on a monthly basis for regular evaluation of effectiveness on water conservation
- Notes to remind staff to conserve water are posted

Use Less Paper

- Promote green office to increase the use of electronic files in replacement of printouts
- Employees are encouraged to use double-sided printing and reuse single-sided paper

The Company has proactively implemented various strategies to improve resource efficiency and reduce damages to the ecological environment. Relevant awareness promotion campaigns have been arranged on energy conservation and emission reduction 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 pump in the 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. Amount of water used in geothermal pump for heating circulatory water is $50m^3$ 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 pump. Heated water would then be discharged to underground, and water would not be lost nor polluted during the process. As for using packaging materials, the Company's principal businesses are logistics and warehousing and commodity trading, therefore no packaging of finished goods is required under normal situation. During the Reporting Year, the Company's total electricity consumption was reduced by 8% compared with the previous year, while total water consumption was increased by 95% compared with the previous year due to water leakage on the sides of the damaged air conditioning custshaft during July and August.

[3] We did not set out quantified water consumption efficiency targets due to its immateriality to sustainable development strategy and business operation.

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

	2021	2020	2019
Number of operating facilities	**6**	6	5
Mobile sources consumption [4]			
Gasoline consumption (L)	**0**	1,990	2,644
Gasoline consumption (kWh)	**0**	18,121	24,077
Diesel consumption (L)	**2,389**	4,601	31,792
Diesel consumption (kWh)	**23,153**	46,163	318,980
Mobile sources consumption intensity (L/operating facility)	**398**	767	6,358
Stationary sources consumption [5]			
Gas consumption (MJ)	**32,014**	–	–
Gas consumption (kWh)	**8,893**	–	–
Stationary sources consumption intensity (MJ/operating facility)	**5,336**	–	–
Indirect energy consumption			
Energy consumption in purchasing facilities (kWh)	**762,156**	805,177	902,736
Total consumption in purchasing gas (MJ)	**26,064**	–	–
Indirect energy consumption intensity (kWh/operating facility)	**128,233**	134,196	180,547
Total energy consumption and intensity			
(kWh in '000s)	**801.4**	869.5	1,245.8
(kWh in '000s/operating facility)	**133.6**	–	–
Water consumption and intensity [6]			
(m3)	**10,429**	5,355	9,753
(m3/operating facility)	**1,738**	892	1,951
Sewage discharge			
(m3)	**0**[7]	259	–
Paper consumption and intensity [8]			
(tonne)	**0.11**	0.58	0.98
(tonne/operating facility)	**0.02**	0.10	0.20

4 The conversion factor for converting gasoline and diesel consumption from volumetric unit to energy unit for 2019 and 2020 is determined by reference to CDP Technical note: Conversion of fuel data to MWh.

5 There is a newly added canteen gas consumption data collection this year.

6 The water consumption is for domestic use. There is no issue of sourcing water in the Reporting Year.

7 This year, the Company has warehouse business only and will not be generating any water wastage.

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

Environmental, Social and Governance Report

The Environment and Natural Resources

The Company owns five warehouses, of which four are enclosed style and one is an open-air style. The Company manages warehouse in the manner of mitigating environmental impacts and the operation would proceed with reference to the relevant environmental regulations, including Regulations for Environmental Management in Construction Projects, Tentative Practices for Environmental Inspection Acceptance for completion of Construction Projects, Work Instruction for Approval of Environmental Impact Assessment Documentation and Inspection Acceptance of Environmental Facilities developed by Construction Enterprises in Construction Projects (Tentative). 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 hits greening ratio up to 18.2%, close to reaching the ceiling target.

Policy for Climate Change

The Company has regularly evaluated risks stemmed from climate change, including an annual assessment on flooding risks in rainy season. With identification of potential natural disasters and extreme weather arising from climate change, the Company has eventually formulated the Flooding Emergency Management Plan in response to the possible emergencies. Property insurance has been procured for alleviating the possible loss arising from natural disaster.

Climate Risks – How to Identify and Analyse

The directors of the Group have identified climate risks through annual reporting and divided the risks into time area aspects of short-term (less than 2 years), mid-term (3-5 years) or mid to long term (more than 5 years). The Company planned to conduct identification of climate risks each year, include sustainable development targets into the operating strategy, and also report to the management, directors, shareholders and the public. The Company has primarily identified a spectrum of climate relevant risks and opportunities related to its main assets or operation.

The following chart discussed the transformation and practical risks brought on by climate changes, and its related situations and associations with assets or operation.

Types of risk	Time period aspects	Practical situation	Situations and property or operation related association
Immediate risks	Not relevant	–	–
Long term risks	Not relevant	–	–
Risks of monitoring	Short-term	National, provincial environmental policy and legal amendments and tightening; the comprehensive implement of low carbon policies in the logistics industry	Increased costs in emissions of logistics centre More time, talents and skills and resources are required to ensure compliance to regulations
Technological risks	Not relevant	–	–
Market fluctuation risks	Not relevant	–	–
Risks of goodwill	Not relevant	–	–

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 sand bags 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 typhoon, and requires regular window inspection to alleviate damages incurred during typhoon.

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 labour laws and regulations in PRC 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 PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, the Law of the PRC on the Protection of Women's Rights and the Law of the PRC on the Protection of Disabled Persons. The Company did not identify or receive any cases involving discrimination or other irregularities and complaints related to employment. The Company did not identify any cases involving the hiring of child labour nor the breach of laws related to forced labour during the Reporting Year. The compliance of these regulations demonstrates our respect for workers' rights, which helps enhance trust, loyalty and motivation among our employees.

The below chart sets out the total number of employees of the Company and their distribution in the past three Reporting Years.

Total number of employees	2021	2020	2019
Gender			
Male	**11**	19	13
Female	**9**	11	10
Type of employment			
Full-time	**20**	21	23
Part-time	**0**	9	0
Age group of employees			
18 – 24	**1**	0	2
25 – 34	**9**	22	8
35 – 44	**1**	0	5
45 – 54	**4**	5	6
55 – 64	**4**	3	2
65 or above	**1**	–	–
Types of employees			
Senior management	**2**	–	–
Managers	**1**	–	–
General employees	**17**	–	–
Region			
China	**20**	30	23
Total number	**20**	30	23

The Company recorded an overall turnover rate of 25% during the Reporting Year. The following table sets out the rate of employee turnover to the total number of employees for the past three Reporting Years.

Turnover rate (%)	2021	2020	2019
Gender			
Male	**36.3**	7.0	14.1
Female	**11.1**	38.7	0
Age of employees			
18 – 24	**0**	–	37.5
25 – 34	**33.3**	5.7	0
35 – 44	**100**	–	17.9
45 – 54	**0**	96.0	0
55 – 64	**0**	0	0
65 or above	**0**	–	–
Employee category			
Senior management	**0**	–	–
Middle management	**0**	–	–
Manager	**100**	–	–
General staff	**23.5**	–	–
Region			
China	**25**	20.3	8.4
Total number	**25**	20.3	8.4

Recruitment, Promotion and Equal Opportunities

The Company complied with national laws and policies, treats all job seekers equally, sets no unequal restrictions or unequal priority/preferential policies, and provides equal competition opportunities for job seekers. Recruitment is 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 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. 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 general way of assessment is evaluation on work performance conducted by the responsible department manager. In addition to the quarterly evaluation by superior of individual employee performance, in order to strengthen solidarity within departments and boost initiatives among employees, the Company also has quarterly evaluation of departmental performance, through which department evaluates 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, which are used to boost staff's 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, which require 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 PRC 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 PRC, the Labour Contract Law of the PRC and other relevant laws and regulations.

Labour Standards

The Company abides by regulations pertinent to prohibiting child labour and forced labour. In the recruitment process, the identity cards of applicants are strictly reviewed to ensure they meet the statutory minimum age. The Company respects employees' rights in the aspects of recruitment, resignation, overtime work and personal freedom. All forms of forced labour, which include withholding of personal identity cards and request for deposits upon recruitment, are prohibited. Employees must not be required to work overtime on a mandatory basis. In case of any voluntary overtime work required for project urgency, employees are entitled to compensation in accordance with the law in the form of cash or holidays. Moreover, policies are established to ensure all employees are working on a voluntary basis. All employees have the rights to resign upon the notice period as stipulated in the employment or related contracts. In event of occurrence of child or forced labour in the operation, the Company will handle and eliminate such violations in accordance with the law.

Occupational Safety and Health

Ensuring the occupational safety and health of employees should be the top priority for every enterprise, and provision of relevant personal protective tools is the utmost fundamental requirement. The Company provides raincoats, rain boots, safety helmets, insulating shoes, gloves, masks, etc., as well as medical supplies for emergency use. Safety of workplace and operating procedures together with employee education on dealing with some possible unexpected accidents are also key concerns. Therefore, the Company provides safety training for employees, including new recruits; during the Reporting Year, a total of 1.2 hours of occupational safety and health training per employee on average were arranged. Owing to the characteristics of the logistics industry, even for those people who may have access to workplaces other than the Company's employees, relevant safety and health policies have been developed in this regard.

During the Reporting Year, none of the Company's business was found in violation of PRC laws related to occupational health and safety, including the Law of the PRC on the Prevention and Control of Occupational Diseases, the Law of the PRC on Production Safety and the Fire Protection Law of the PRC.

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 as well and provides them with appropriate training to ensure safe operation in the workplace.

Loading & Unloading

- Formulate Loading and Unloading Management Policy
- Allow 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 to instil 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 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, 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 forms 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 rate of work-related fatalities and number of lost working days due to work injury for the past three reporting years.

	2021	2020	2019
Rate of work-related fatalities	**0**	0	0
Number of lost working days due to work injury	**0**	0	0

Development and Training

The Company formulates annual training plans to provide employees with different types of training and strives to provide them with opportunities for professional growth, facilitating their career development as well as fulfilling the long-term business needs of the Group. 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. For employees graduated at college level or above, they would be 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 internally trained employees to the total workforce in the Company for the past three reporting years:

Percentage of employees trained (%)	2021	2020	2019
Gender			
Male	**18.1**	28.1	100
Female	**22.2**	0	100
Employee Category			
Senior management	**0**	–	100
Middle management	**100**	53.8	100
General staff	**29.4**	13.0	100

During the Reporting Year, the Company provided a total of 111 hours in training for 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:

	2021	
	Total training hours (Hour)	Average training hours per person (Hour/person)
Gender		
Male	**71**	**6.5**
Female	**40**	**4.4**
Employee Category		
Senior management	**0**	**0**
Managers	**33**	**33**
General staff	**78**	**4.6**

SUPPLY CHAIN MANAGEMENT

Service quality is closely related to contractor performance, hence prior to making the decision on inclusion of potential suppliers or contractors in the approved list, we will take account of their reputation, background, experience, past performance, and delivery timeliness. In addition, their performance will also be evaluated in the aspects of safety, quality, environmental and security management. Moreover, the Company considers their associated environmental and social risks, and therefore priority is given to suppliers/contractors or their associated supplies and services which comply 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, the Company engaged a total of 5 service providers/contractors that primarily provide services for security companies and forklifts. Others are distributed in the mainland China. 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.

During the Reporting Year, due to the changes of business management, a large portion of Qian'an Logistics' customers and suppliers cannot be maintained. Qian'an Logistics' product trading business does not contribute to the Group and there is only warehouse storage business that continues to operate. To cope with the risks from a sudden cut of supply chain and customer chain, the Group actively initiate to restart self-management and establishing supply and customers network related to commodity trading business, and to organise supply and customer network through assistance and introduction from each different viable means.

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 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 on a trial basis under which those contractors with excellent scores will be given priority in undertaking projects in future, while those with unsatisfactory evaluation scores might not be considered. For enhancing transparency, the scope 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.

SERVICE QUALITY

The Company is committed to continual improvement of service quality and immediate response to customers' enquiries. We have established customer service channels, if there is a complaint, our sales officers are required to give the customer an appropriate reply within a specified time frame. Meanwhile, the Company further enters into a confidentiality agreement with its employees to prevent leakage of customer information, and strictly manages information and documents related to customers' intellectual property rights.

For implementation of strict confidential measures, signing of a confidentiality agreement is a must at the time engaging service/procurement contracts with 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 three reporting years.

	2021	2020	2019
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 PRC, and did not identify any legal non-compliance related to responsibilities of products or services. Based on 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

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) Ensures 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 or give any individuals, government officials or any association, organisation 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 specified sum of money can only be provided or obtained in the normal course of business after the approval from direct supervisor.

The Group, in compliance with control requirements, has established a bribery whistleblowing mechanism, which plays a crucial role in the entire anti-corruption process. Upon receipt of the related report, Silk Road 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 provide anti-corruption courses and trainings 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 PRC or the business location's jurisdiction's anti-corruption laws and regulations. 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.

	2021	2020	2019
Number of corruption litigation cases brought	**0**	N/A	N/A
Number of concluded corruption litigation cases	**0**	N/A	N/A

To strengthen anti-corruption and bribery awareness of employees, the Group will arrange employees to join anti-corruption lessons at its utmost endeavour to ensure employees understand the importance of anti-corruption.

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 impacts 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 societal or environmental issues we have concerned in the past or contribute any resources.

OUTLOOK

The Qian'an logistics business of the Group will actively align itself with needs of the national market, while taking into consideration the national concern on environmental protection as well as the social risks related to the industry. In the future, we will dedicate ourselves to launching more environmental policies and measures, which will be integrated into the related business strategies for further inclusion of sustainability into our business philosophy. The Group will also continue to review its corresponding policies, strategies and objectives to improve the performance and disclosure of our ESG report.

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 - Labour Standards
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Responsible Employment - Labour 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.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	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.	Supply Chain Management

HKEx ESG Reporting Guide Subject Areas, Aspects, General Disclosures & KPIs		Explanation/Reference Chapter
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	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.	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.	Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Service Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	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.	Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	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.	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.	Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	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 Participation
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Participation
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	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 2021.

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 42 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 6 to 12 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 THE COMPLIANCE OF 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.

During the year, as far as the Company is aware, 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 2021 and the Group's financial position at that date are set out in the consolidated financial statements on pages 75 to 169.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year ended 31 December 2021 (2020: 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 171 to 172, 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 15 to the consolidated financial statements on pages 127 to 128.

OTHER BORROWINGS

Details of other borrowings of the Group are set out in note 27 to the consolidated financial statements on page 144.

ISSUE OF SUBSCRIPTION SHARES

On 19 August 2021, the Company entered into a subscription agreement (the "Subscription Agreement") with Yick Chuen Credit Limited (the "Subscriber"). Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe 42,857,142 new Shares at the subscription price of HK$0.14 per subscription share (the "Subscription"). The aggregate nominal value of the subscription shares was HK$4,285,714.20. The closing price of the Share as quoted on the Stock Exchange on the date of the Subscription Agreement was HK$0.16. The gross proceeds from the Subscription was approximately HK$6,000,000. The Board considered that the Subscription represented an opportunity to raise additional funds for the Company to improve the financial position of the Group.

The Company completed the Subscription in September and issued 42,857,142 new shares of the Company, and the Subscriber and its ultimate owner hold in aggregate 68,038,150 Shares, representing approximately 10.6% of the issued shares of the Company. Net proceeds of approximately HK$5,700,000 was raised. Part of the aggregate subscription price in the amount of HK$3,000,000 was satisfied by the Subscriber to the Company by setting off against the equivalent amount of the debt on a dollar-for-dollar basis. The remaining net proceeds in the amount of approximately HK$2,700,000 was used for the general working capital of the Group. As at 31 December 2021, the proceeds from the Subscription was being used up.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 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 2021.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company had no reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2020: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 96.22% (2020: 99.84%) of the total sales for the year and sales to the largest customer included therein amounted for 39.29% (2020: 84.16%). Purchases from the Group's five largest suppliers accounted for 72.82% (2020: 100%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 42.74% (2020: 90.59%).

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.

Report of the Directors

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 (appointed on 4 June 2021)
Mr. Chung Wai Man (appointed on 4 June 2021)
Ms. Wong Kai Ling (resigned with effect from 4 July 2021)
Mr. Meng Fanpeng (resigned with effect from 1 July 2021)
Ms. Yangyi (resigned with effect from 4 June 2021)

Non-executive Directors:
Mr. Ouyang Nong (appointed on 29 September 2021)
Mr. Choi Wai Hong Clifford (appointed on 4 June 2021 and resigned with effect from 14 December 2021)
Mr. Qin Bo (resigned with effect from 4 June 2021)

Independent Non-executive Directors:
Ms. Choy So Yuk
Mr. Wu Zhao
Mr. Chen Wai Chung Edmund (appointed on 29 September 2021)
Mr. Ang Mei Lee Mary (appointed on 14 December 2021)
Mr. Wong Chung Hung (appointed on 22 January 2021 and resigned with effect from 1 July 2021)
Mr. Zou Mingwu (retired with effect from 3 June 2021)
Mr. Leung Yuen Wing (resigned with effect from 22 January 2021)
Mr. Liu Wei (resigned with effect from 22 January 2021)

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Chung Wai Man, Ms. Choy So Yuk and Mr. Wu Zhao will retire from office by rotation at the forthcoming annual general meeting and being eligible, Mr. Chung Wai Man will offer himself for re-election as executive Director and Ms. Choy So Yuk and Mr. Wu Zhao will offer herself/himself for re-election as independent non-executive Directors.

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 13 to 17.

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.

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.

RELATED PARTY TRANSACTION

A summary of the related party transactions entered into by the Group during the year ended 31 December 2021 is contained in note 37 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 2021, 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	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%

L – Long position

Save as disclosed above, as at 31 December 2021, 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 34 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 2021, 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)	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	68,038,150	10.60%
Yick Chuen Credit Limited (3)	Directly owned	Long position	67,961,770	10.58%
Tewoo Group Company Limited* (4)	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)	Interest of controlled corporation	Long position	43,822,412	6.83%
Tianjin Rongxin Co., Ltd.* (4)	Interest of controlled corporation	Long position	43,822,412	6.83%

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)	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) 67,961,770 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 2021, 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 18 to 31 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:

Mr. Chung Wai Man ("Mr. Chung") was appointed an independent non-executive director of Peking University Resources (Holdings) Company Limited since October 2021.

Mr. Chung has resigned as a non-executive director of Freeman FinTech Corporation Limited (now known as Arta Techfin Corporation Limited) with effect from 29 October 2021.

With effect from 1 January 2022, the director's fee of Mr. Chung and Mr. Cheung Ngai Lam 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.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of significant events of the Group occurring after the reporting period are set out in note 44 to the consolidated financial statements.

Report of the Directors

CONTINGENT LIABILITIES

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. This civil complaint is still in process. The effects of the appeal of the Haitong Civil Complaint on the Group cannot be assessed at this moment. No provision for the Haitong Civil Complaint has been made in the consolidated financial statements.

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 was borne by Haotai. No provision for the litigation has been made in the consolidated financial statements.

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
29 March 2022

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 75 to 169, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 exceed the Group's current assets at that date by approximately HK$562,668,000; the total liabilities of the Group at 31 December 2021 exceed the Group's total assets at that date by approximately HK286,497,000; and the Group incurred net loss of approximately HK$302,679,000 for the year ended 31 December 2021.

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 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, 29 March 2022

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 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	7	**13,647**	34,609
Cost of sales and services		**(8,069)**	(32,912)
Gross profit		**5,578**	1,697
Other income and gains	7	**263**	3,213
Administrative expenses		**(34,454)**	(38,536)
Gain on deemed acquisition of an associate	17(b)	**–**	1,651
Loss on disposal of oil properties	19	**–**	(1,573)
Impairment of goodwill	18	**(55,960)**	(32,778)
Impairment of interests in associates	17(a)	**(172,846)**	(274,898)
Impairment of prepayments, deposits and other receivables	22(a)	**(11,082)**	(2,800)
Share of profit (loss) of associates	17	**15,891**	(3,663)
Finance costs	8	**(51,199)**	(51,498)
LOSS BEFORE TAX	9	**(303,809)**	(399,185)
Income tax credit	12	**1,130**	17,011
LOSS FOR THE YEAR		**(302,679)**	(382,174)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**7,133**	14,404
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(295,546)**	(367,770)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(295,153)**	(376,908)
Non-controlling interests		**(7,526)**	(5,266)
Loss for the year		**(302,679)**	(382,174)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(290,680)**	(367,418)
Non-controlling interests		**(4,866)**	(352)
Total comprehensive income for the year		**(295,546)**	(367,770)
		2021 HK$	2020 HK$ (restated)
LOSS PER SHARE	14		
– Basic		**(0.48)**	(0.66)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**171,076**	176,855
Right-of-use assets	16	**73,294**	73,482
Interests in associates	17	**–**	214,954
Goodwill	18	**–**	55,960
Oil properties	19	**65,679**	65,363
Total non-current assets		**310,049**	586,614
CURRENT ASSETS			
Inventories	20	**689**	408
Trade receivables	21	**–**	54
Prepayments, deposits and other receivables	22	**151,207**	155,589
Income tax recoverable		**4,548**	4,696
Cash and cash equivalents	23	**974**	3,781
		157,418	164,528
Assets classified as held for sale	24	**57,954**	–
Total current assets		**215,372**	164,528
CURRENT LIABILITIES			
Trade payables	25	**87,691**	84,824
Other payables and accruals	26	**132,763**	124,669
Other borrowings	27	**488,356**	443,665
Promissory notes payable	28	**69,197**	60,929
Obligations under finance lease	29	**33**	44
Total current liabilities		**778,040**	714,131
NET CURRENT LIABILITIES		**(562,668)**	(549,603)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(252,619)**	37,011

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Other borrowings	27	**138**	295
Obligations under finance lease	29	**–**	33
Lease liabilities	30	**13,419**	13,498
Assets retirement obligations	31	**5,485**	5,207
Deferred tax liabilities	32	**14,836**	14,929
Total non-current liabilities		**33,878**	33,962
Net (liabilities) assets		**(286,497)**	3,049
EQUITY			
Share capital	33	**64,179**	59,893
Reserves		**(429,949)**	(140,983)
Equity attributable to owners of the Company		**(365,770)**	(81,090)
Non-controlling interests		**79,273**	84,139
Total equity		**(286,497)**	3,049

The consolidated financial statements on pages 75 to 169 were approved and authorised for issue by the Board of Directors on 29 March 2022 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 2021

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital HK$'000 (Note 33)	Share premium account HK$'000	Share option reserve HK$'000 (Note 35(a))	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000 (Note 35(b))	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2020	57,036	1,492,097	3,632	(20,664)	178,368	773,090	(2,205,231)	278,328	84,491	362,819
Loss for the year	–	–	–	–	–	–	(376,908)	(376,908)	(5,266)	(382,174)
Other comprehensive income for the year										
Exchange differences on translation of foreign operations	–	–	–	9,490	–	–	–	9,490	4,914	14,404
Total comprehensive income for the year	–	–	–	9,490	–	–	(376,908)	(367,418)	(352)	(367,770)
Issue of shares (Note 33)	2,857	5,143	–	–	–	–	–	8,000	–	8,000
At 31 December 2020	**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 33)	**4,286**	**1,714**	**–**	**–**	**–**	**–**	**–**	**6,000**	**–**	**6,000**
At 31 December 2021	**64,179**	**1,498,954**	**3,632**	**(6,701)**	**178,368**	**773,090**	**(2,877,292)**	**(365,770)**	**79,273**	**(286,497)**

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(302,679)**	(382,174)
Adjustments for:			
Income tax credit	12	**(1,130)**	(17,011)
Share of (profit) loss of associates		**(15,891)**	3,663
Finance costs		**51,199**	51,498
Impairment of goodwill		**55,960**	32,778
Impairment of interests in associates		**172,846**	274,898
Impairment of prepayments, deposits and other receivables		**11,082**	2,800
Depreciation of property, plant and equipment		**11,352**	10,898
Depreciation of right-of-use assets		**2,887**	5,084
Accretion expenses – oil properties		**248**	153
Amortisation of oil properties		**200**	363
Interest income		**–**	(6)
Loss on disposal of oil properties		**–**	1,573
Gain on disposal of property, plant and equipment		**(96)**	(12)
Gain on deemed acquisition of an associate		**–**	(1,651)
Net foreign exchange losses		**–**	194
Operating cash flows before movements in working capital		**(14,022)**	(16,952)
(Increase) decrease in inventories		**(284)**	175
Decrease in trade receivables		**–**	568
(Increase) decrease in prepayments, deposits and other receivables		**(11,399)**	65,722
Increase in trade payables		**5,659**	9,434
Increase (decrease) in other payables and accruals		**14,680**	(41,155)
Cash (used in) generated by operations		**(5,366)**	17,792
Income tax paid		**–**	(6)
Income tax recovered		**831**	5,866
Net cash (used in) generated by operating activities		**(4,535)**	23,652

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		–	6
Proceeds from disposal of property, plant and equipment		**96**	262
Purchase of oil properties		**(148)**	(234)
Proceeds from disposal of oil properties and oil equipment		–	124
Net cash (used in) generated by investing activities		**(52)**	158
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	36	**(10)**	(1,356)
New other borrowings	36	**1,060**	295
Repayment of bank and other borrowings	36	–	(28,140)
Repayment of finance leases	36	**(44)**	(119)
Repayment of lease liabilities	36	**(1,523)**	(3,345)
Proceeds from issue of shares		**3,000**	8,000
Net cash generated by (used in) financing activities		**2,483**	(24,665)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,104)**	(855)
Cash and cash equivalents at beginning of the year		**3,781**	4,369
Effect of foreign exchange rate changes, net		**(703)**	267
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**974**	3,781
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**974**	3,781
		974	3,781

Notes to Consolidated Financial Statements

31 December 2021

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").

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 FINANCIAL STATEMENTS

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

Notwithstanding that the current liabilities of the Group at 31 December 2021 exceed the Group's current assets at that date by HK$562,668,000, which includes the other borrowings and the promissory notes payable amounted to HK$488,356,000 and HK$69,197,000 respectively; the total liabilities of the Group at 31 December 2021 exceed the Group's total assets at that date by approximately HK$286,497,000; and that the Group incurred net loss amounted to HK$302,679,000 for the year ended 31 December 2021, 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 lenders 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 value 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

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements.

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

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

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due to or before 30 June 2022; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases ("HKFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group's financial positions and performance for the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of HKFRS 16 to account for rent concessions provided by certain lessors.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies[2]
HKAS 8 (Amendments)	Definition of Accounting Estimates[2]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use[1]
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

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)

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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.

Notes to Consolidated Financial Statements

31 December 2021

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.

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:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKFRS 9 are satisfied.

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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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 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.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset 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 served.

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)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and 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 the presentation currency 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. The carrying amount of goodwill at 31 December 2021 is HK$ Nil (2020: HK$55,960,000). Impairment of goodwill amounted to HK$55,960,000 (2020: HK$32,778,000) was charged to the profit or loss in respect of the current year. Details regarding the goodwill are disclosed in note 18 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. Impairment loss on interests in associates amounted to HK$172,846,000 (2020: HK$274,898,000) was recognised in profit or loss in respect of the current year, 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 or reversed in respect of the years ended 31 December 2021 and 31 December 2020.

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 2021 and 2020. Details regarding the deferred tax assets and deferred tax liabilities of the Group are disclosed in note 32 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$11,082,000 (2020: HK$2,800,000) recognised in profit or loss in respect of current year, details of which are set out in note 22.

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 (2020: 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 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	194,569	450,748
Unallocated assets				74,673
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
Prepayment, deposits and other receivables	11,082	–	–	11,082
Total impairment loss recognised	67,042	172,846	–	239,888

6 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

	Commodities trading HK$'000	Oil HK$'000	Logistics HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	29,129	2,087	3,393	34,609
Segment loss	(33,463)	(6,440)	(292,018)	(331,921)
Interest income				6
Unallocated income				2,078
Unallocated expenses				(17,850)
Finance costs				(51,498)
Loss before tax				(399,185)
Income tax credit				17,011
Loss for the year				(382,174)
Segment assets	211,579	266,722	202,119	680,420
Unallocated assets				70,722
Total assets				751,142
Segment liabilities	70,318	19,352	48,782	138,452
Unallocated liabilities				609,641
Total liabilities				748,093
Other segment information				
Capital expenditure allocated to segments	–	234	–	234
Unallocated capital expenditure				–
Total capital expenditure				234
Depreciation and amortisation allocated to segments	–	1,872	11,807	13,679
Unallocated depreciation and amortisation				2,666
Total depreciation and amortisation				16,345
Impairment loss allocated to segments:				
Interests in associates	–	–	274,898	274,898
Goodwill	32,778	–	–	32,778
Prepayment, deposits and other receivables	2,800	–	–	2,800
Total impairment loss recognised	35,578	–	274,898	310,476

6 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
PRC	**11,802**	32,522
Other countries	**1,845**	2,087
	13,647	34,609

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
PRC	**237,561**	242,288
USA	**72,488**	73,412
Other countries	**–**	214,954
	310,049	530,654

The above non-current assets information is based on the location of the assets and exclude goodwill of HK$Nil (2020: HK$55,960,000).

Information about major customers

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

	Revenue generated from	2021 HK$'000	2020 HK$'000
Customer A	Commodities trading	**–**	29,128
Customer B	Commodities trading	**5,361**	–
Customer C	Commodities trading	**1,962**	–
Customer D	Logistics	**3,043**	N/A*
Customer E	Oil	**1,845**	N/A*

* The revenue from the respective customers for the year ended 31 December 2020 did not contribute over 10% of the total revenue of the Group for that year.

7 REVENUE, OTHER INCOME AND GAINS

Revenue

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

	2021 HK$'000	2020 HK$'000
Revenue from:		
Sales of goods recognised at a point in time	**9,169**	31,270
Rendering of services recognised over time	**4,478**	3,339
	13,647	34,609

Other income and gains

An analysis of other income and gains is as follows:

	2021 HK$'000	2020 HK$'000
Bank interest income	**–**	6
Gain on disposal of property, plant and equipment, net	**96**	–
Government grants receipt*	**–**	1,284
Sundry income	**167**	1,923
	263	3,213

* Government grants receipt represents refund of PRC value-added tax and other taxes previously paid by the Group and government subsidy for the Employment Support Scheme granted by The Government of the Hong Kong Special Administrative Region under COVID-19. There are no unfulfilled conditions or contingencies attached to these grants and subsidies.

8 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expenses, net of reimbursement on borrowings, on:		
Other loans	**41,999**	43,792
Finance leases	**–**	2
Lease liabilities	**932**	908
Promissory notes payable	**8,268**	6,796
	51,199	51,498

9 LOSS BEFORE TAX

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

	2021 HK$'000	2020 HK$'000
Cost of inventories sold*	**6,476**	31,882
Auditors' remuneration		
Audit services	**850**	768
Non-audit services	**230**	110
	1,080	878
Directors' and chief executive's remuneration (note 10)	**1,212**	2,944
Staff costs (excluding directors' and chief executive's remuneration)		
Salaries and allowances	**5,469**	7,152
Retirement benefit costs	**330**	764
Total staff costs	**7,011**	10,860
Depreciation of property, plant and equipment	**11,352**	10,898
Depreciation of right-of-use assets	**2,887**	5,084
Accretion expenses – oil properties	**248**	153
Amortisation of oil properties	**200**	363
Loss on disposal of oil properties and property, plant and equipment, net	**–**	1,561
Lease payments under short term leases	**946**	9
Foreign exchange losses, net	**–**	194

* Cost of inventories sold includes depreciation charges of property, plant and equipment amounted to approximately HK$1,593,000 (2020: HK$1,030,000) 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:

	2021 HK$'000	2020 HK$'000
Directors' remuneration		
Fees	494	829
Other emoluments:		
Salaries, allowances and benefits in kind	420	1,265
Discretionary bonuses	289	–
Pension scheme contributions	9	10
	1,212	2,104
Chief executive's remuneration		
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	–	830
Pension scheme contributions	–	10
	–	840
	1,212	2,944

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
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
2020					
Wang Xiusong[6]	–	–	–	–	–
Cai Jianjun[7]	–	806	–	–	806
Meng Fanpeng[3]	–	459	–	10	469
Zhang Rui[8]	–	–	–	–	–
Wong Kai Ling[1]	–	–	–	–	–
Yang Yi[2]	–	–	–	–	–
	–	1,265	–	10	1,275

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.

6 Mr. Wang Xiusong resigned as executive director of the Company with effect from 13 May 2020.

7 Mr. Cai Jianjun resigned as executive director of the Company with effect from 5 June 2020. Mr. Cai Jianjun was also the chairman of the board and the chairman of executive committee with effect from 25 January 2019 and resigned as executive director and chairman with effect from 5 June 2020.

8 Mr. Zhang Rui resigned as executive director of the Company with effect from 22 June 2020.

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

(b) Non-executive directors

	Fees HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2021			
Ouyang Nong[9]	–	79	79
Choi Wai Hong Clifford[10]	–	38	38
Qin Bo[11]	–	–	–
	–	117	117

	Fees HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2020			
Qin Bo[11]	–	–	–
Zhou Hao[12]	–	–	–
	–	–	–

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

10 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.

11 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.

12 Mr. Zhou Hao resigned as non-executive director of the Company with effect from 2 June 2020.

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

(c) Independent non-executive directors

	Fees	
	2021	2020
	HK$'000	HK$'000
Chen Wai Chung Edmund[14]	**38**	–
Ang Mei Lee Mary[15]	**7**	–
Wong Chun Hung[16]	**67**	–
Choy So Yuk	**150**	150
Leung Yuen Wing[17]	**9**	150
Wu Zhao	**150**	150
Zhu Dengkai[18]	**–**	79
Liu Wei[19]	**9**	150
Zou Mingwu[20]	**64**	150
	494	829

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

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

[16] 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.

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

[18] Mr. Zhu Dengkai retired as independent non-executive director of the Company in the annual general meeting held on 10 July 2020.

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

[20] 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
2020				
Fang Gang[21]				
(Chief Executive Officer)	–	830	10	840

[21] Fang Gang resigned on 15 July 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: 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 (2020: Nil).

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year included one director (2020: one director), details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2020: four) highest paid employees, who are neither a director nor the chief executive of the Company, are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**3,593**	4,230
Retirement scheme contributions	**69**	65
	3,662	4,295

11 FIVE HIGHEST PAID EMPLOYEES (continued)

The emoluments were within the following bands:

	Number of individuals 2021	2020
HK$Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

12 INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Provision for the year		
– The People's Republic of China ("PRC") corporate income tax	**–**	6
(Over) under provision in prior years	**(831)**	58
Current tax (credit) charge	**(831)**	64
Deferred tax credit (note 32)	**(299)**	(17,075)
Income tax credit	**(1,130)**	(17,011)

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 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% (2020: 21%).

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

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	%
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)	

	Hong Kong		PRC		USA		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
2020								
Loss before tax	(371,067)		(17,874)		(10,244)		(399,185)	
Tax at the statutory tax rate	(61,226)	16.5	(4,468)	25.0	(2,151)	21.0	(67,845)	17.0
Loss attributable to associates	(604)		–		–		(604)	
Income not subject to tax	(3,852)		(136)		(88)		(4,076)	
Expenses not deductible for tax	65,682		4,340		3,098		73,120	
Reversal of deductible temporary differences	–		–		(17,075)		(17,075)	
Taxable temporary differences not recognised	–		270		(859)		(589)	
Under(over) provision in prior years	–		58		–		58	
Income tax credit	–		64		(17,075)		(17,011)	

13 DIVIDENDS

No interim dividend was declared for the current year (2020: 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 2021 (2020: Nil).

14 LOSS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	(295,153)	(376,908)

	2021 '000	2020 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (note 33)	613,023	571,220

The number of shares for the purpose of basic loss per share for the prior year ended 31 December 2020 has been adjusted to take into account the share consolidation which took place during the current year ended 31 December 2021.

Diluted loss per share for the years ended 31 December 2021 and 31 December 2020 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 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
Disposals	–	–	–	–	–	–	–
Depreciation provided for the year	(7,853)	(195)	(1,238)	(1,911)	(62)	(93)	(11,352)
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

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 2020							
At 1 January 2020							
Cost	162,819	7,179	17,534	25,918	416	828	214,694
Accumulated depreciation and impairment	(17,790)	(3,832)	(8,564)	(5,141)	(252)	(497)	(36,076)
Carrying amount	145,029	3,347	8,970	20,777	164	331	178,618
Carrying amount at 1 January 2020	145,029	3,347	8,970	20,777	164	331	178,618
Disposals	–	–	(250)	–	–	–	(250)
Depreciation provided for the year	(7,290)	(338)	(1,462)	(1,761)	(47)	–	(10,898)
Exchange realignment	8,518	185	(525)	1,184	7	16	9,385
Carrying amount at 31 December 2020	146,257	3,194	6,733	20,200	124	347	176,855
At 31 December 2020							
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

Note: The Group's leasehold land and buildings at 31 December 2021 and 31 December 2020 represent buildings as follows:

	2021 HK$'000	2020 HK$'000
Buildings situated on leasehold land:		
In the PRC	**141,911**	144,940
In the USA	**1,277**	1,317
	143,188	146,257

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 2020	58,962	15,406	74,368
Depreciation for the year ended 31 December 2020	(1,772)	(3,312)	(5,084)
Exchange realignment	3,461	737	4,198
Carrying amount at 31 December 2020 and 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	60,972	12,322	73,294

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 and office premises, 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

	2021 HK$'000	2020 HK$'000
Cost of investments in unlisted associates	**722,500**	1,234,691
Share of post-acquisition losses and reserves	**(14,344)**	(815)
Impairment loss recognised	**(708,156)**	(1,018,922)
	–	214,954

Included in cost of investments in unlisted associates are goodwill arising on acquisition amounted to HK$424,339,000 (2020: HK$832,433,000).

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 2021	Equity interest held by the Group 2020	Principal activities
RockEast Energy Corporation ("RockEast")*	Canada	CAD30,364,992	**29.95%**	29.95%	Exploration and production of oil
Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company ^ ("Mongolia Logistics")	Inner Mongolia Province, the PRC	RMB5,000,000	**39%**	39%	Provision of logistics and warehousing services
Wulanchabu Integrated Logistics Park Company Limited^ ("Wulanchabu")	Inner Mongolia Province, the PRC	RMB50,000,000	**40%**	40%	Provision of logistics and warehousing services

* 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").

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

17 INTERESTS IN ASSOCIATES (continued)

Movements of the interests in associates are as follows:

	2021 HK$'000	2020 HK$'000
Balance at 1 January	**214,954**	492,055
Share of post-acquisition profit (loss) for the year	**15,891**	(3,663)
Impairment loss recognised (Note a)	**(172,846)**	(274,898)
Deemed acquisition of an associate (Note b)	**–**	1,651
Transferred to assets classified as held for sale (Note a)	**(57,954)**	–
Exchange realignment	**(45)**	(191)
Balance at 31 December	**–**	214,954

Notes:

(a) 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 current year. The sale was completed in March 2022.

During the prior year ended 31 December 2020, management of the Group conducted a review of the profitability of the businesses undertaken by the associates, Mongolia Logistics and Wulanchabu. In light of the predicted deterioration in future economy for a period of time of the serious impact caused by the COVID-19 pandemic, leading to a prudent approach on future operations, and additional investments that will be required for the associates located in Inner Mongolia to initiate and expand their operations, coupled with the current business environment and the recoverability of economy from the COVID-19 pandemic that resulted in difficulties to secure the future sources of funds, management considered it appropriate to make impairment losses amounted to a total of approximately HK$274,898,000 (comprising impairment loss of HK$53,375,000 and HK$221,523,000 on investments in Mongolia Logistics and Wulanchabu respectively) which were recognised in profit or loss in respect of the prior year. In 2021, without a significant improvement for the situation as state in 2020, no reversal of the impairment losses previously made for Mongolia Logistics and Wulanchabu were recognised for the year.

(b) During the year ended 31 December 2020, RockEast issued additional common shares to the Group, which resulted in the increase in the Group's equity interest in RockEast from 28.19% to 29.95%. The gain on deemed acquisition amounted to HK$1,651,000 arising from the increase of the Group's equity interest in RockEast was recognised in profit or loss in respect of the current year.

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$'000	2020 HK$'000
Non-current assets	**529,295**	521,767
Current assets	**25,263**	14,620
Current liabilities	**(12,331)**	(64,494)
Non-current liabilities	**(92,381)**	(74,953)
Net assets	**449,846**	396,940
Revenue	**131,260**	64,204
Profit/(loss) before tax	**53,058**	(7,954)
Income tax expense	**–**	–
Profit/(loss) for the year	**53,058**	(7,954)
Other comprehensive income	**–**	–
Total comprehensive income	**53,058**	(7,954)
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**29.95%**	29.95%
Group's share of net assets of the associates, excluding goodwill	**134,729**	118,883
Goodwill on acquisition	**408,095**	408,095
Less: Accumulated impairment	**(484,870)**	(312,024)
Transfer to assets classified as held for sales (note 24)	**(57,954)**	–
Carrying amount of the investment	**–**	214,954

17 INTERESTS IN ASSOCIATES (continued)

	Mongolia Logistics	
	2021	2020
	HK$'000	HK$'000
Non-current assets	**298,613**	297,268
Current assets	**3,707**	5,114
Current liabilities	**(302,333)**	(298,103)
Non-current liabilities	**–**	(20)
Net (liabilities) assets	**(13)**	4,259
Revenue	**657**	4,452
Loss before tax	**(6,174)**	(3,285)
Income tax expense	**–**	–
Loss for the year	**(6,174)**	(3,285)
Other comprehensive income	**–**	–
Total comprehensive income	**(6,174)**	(3,285)
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**39%**	39%
Group's share of net assets of the associates, excluding goodwill	**1,661**	1,661
Goodwill on acquisition	**132,714**	132,714
Less: Accumulated impairment	**(134,375)**	(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	
	2021	2020
	HK$'000	HK$'000
Non-current assets	**644,492**	635,802
Current assets	**74,247**	67,702
Current liabilities	**(3,119)**	(1,256)
Net assets	**715,620**	702,248
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 GOODWILL

	2021 HK$'000	2020 HK$'000
At 1 January		
Cost	**282,375**	282,375
Accumulated impairment	**(226,415)**	(193,637)
Carrying amount	**55,960**	88,738
Carrying amount at 1 January	**55,960**	88,738
Impairment loss recognised for the year	**(55,960)**	(32,778)
Carrying amount at 31 December	**–**	55,960
At 31 December		
Cost	**282,375**	282,375
Accumulated impairment	**(282,375)**	(226,415)
Carrying amount	**–**	55,960

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 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	**–**	**–**	**–**	**–**
As at 31 December 2020				
Goodwill before impairment	121,182	50,959	110,234	282,375
Impairment of goodwill	(121,182)	(50,959)	(54,274)	(226,415)
Carrying amount at 31 December 2020	–	–	55,960	55,960

Oil CGU

The goodwill arose from the acquisition of Earning Power Inc. and its subsidiaries ("EPI Group") during the year ended 31 December 2014.

Impairment of goodwill

The goodwill from the acquisition of EPI Group was fully impaired during the year ended 31 December 2017.

18 GOODWILL (continued)

Logistics and Commodities trading CGU

The goodwill of HK$110,234,000 and HK$50,959,000 arose from the acquisition of Tianjin Ruiqi Enterprise Management Company and its subsidiary, Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics") (together "Tianjin Ruiqi Group") and Hai Hui during the years ended 31 December 2016 and 31 December 2015 respectively, both belonged to commodities trading CGU and logistics CGU.

Impairment test of goodwill

In view that the business operations of Hai Hui were scaled down significantly, the goodwill from the acquisition of Hai Hui was fully impaired in prior years.

The directors of the Company conducted assessment of the recoverable amount of Tianjin Ruiqi Group with reference to the business valuation conducted by Valplus Consulting Limited ("Valplus") (2020: Greater China Appraisal Limited), an independent firm of professional valuers with recognised qualifications and experience, using the income approach methodology. Valplus has referenced to Hong Kong Accounting Standard 36 – Impairment of Assets and adopted the income approach in valuing the value in use of Tianjin Ruiqi Group as at year end, based on five-year financial forecasts provided by the management. Under the income approach, Valplus has adopted the discounted cash flow method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The projected cash flows are mainly prepared on the basis of certain principal parameters including but not limited to (i) leases secured by existing customers, (ii) historical income received from existing leases and (iil) historical 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 18.6% (2020: 19.2%) per annum, which is derived from weighted average cost of capital by making reference to a group of industry comparables. The terminal growth rate used to extrapolate the cash flows beyond the five-year period was 3.0% (2020: 3.0%) per annum, which is based on the historical general GDP growth and inflation rate. Management of the Group has revised the sales forecast downward with due care and skill given the fact that Qian'an Logistics has experienced a severe loss of customer after the expiry of management contract with the operator in June 2020.

18 GOODWILL (continued)

Logistics and Commodities trading CGU (continued)

Starting from June 2020, the Group has taken up the management and operation of Qian'an Logistics since the expiry of the management contract with the operator. However, in lack of business network and slow recovery of the PRC economic conditions under the continual impact of COVID-19 pandemic in 2021, Qian'an Logistics has not resumed its operation in full scale as expected but resulted in a substantial decrease in profitability. Given the unsatisfactory financial performance and uncertainties confronting future operations of Qian'an Logistics, it is reasonable to further adjust the projected cash flows of Tianjin Ruiqi Group downward which led the carrying amount to exceed its recoverable amount based on value in use. Based on the assessments, the Directors of the Company consider it appropriate to recognise an additional impairment loss of goodwill relating to Tianjin Ruiqi Group amounted to approximately HK$55,960,000 for the current year (2020: HK$32,778,000).

The Company has been adopting the income approach in valuing the value in use of Tianjin Ruiqi Group for both of the years ended 31 December 2020 and 2021.

The key major assumption for the valuation are including: (1) Qian'an Logistics is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued; (2) to continue as a going concern; (3) the availability of financing will not be a constraint on the forecast growth of the CGU's operations; and (4) interest rates, tax rates and exchange rates in the localities for the operations of the CGU will not differ materially from those presently prevailing.

19 OIL PROPERTIES

	2021 HK$'000	2020 HK$'000
At 1 January		
Cost	**265,391**	267,985
Accumulated amortisation and impairment	**(200,028)**	(200,968)
Carrying amount	**65,363**	67,107
At 1 January, cost less accumulated amortisation and impairment	**65,363**	67,107
Additions, at cost	**148**	234
Disposals	**–**	(2,269)
Amortisation for the year	**(200)**	(363)
Exchange realignment	**368**	654
At 31 December, cost less accumulated amortisation and impairment	**65,679**	65,363
At 31 December		
Cost	**267,035**	265,391
Accumulated amortisation and impairment	**(201,356)**	(200,028)
Carrying amount	**65,679**	65,363

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.

During the prior year ended 31 December 2020, oil properties with the carrying amount of HK$2,269,000 were disposed of, which gave rise to a loss on disposal of HK$1,573,000 charged to profit and loss in respect of the prior year.

19 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 (2020: Greater China Appraisal 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 23.8% (2020: 24.2%) 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% (2020: 2.3%) per annum as sourced from public database, which is consistent with the general forecast of the economy.

Benefiting from higher international oil prices in 2021, the recoverable amount of the oil properties based on value in use is higher than its carrying amount. Based on the assessments, the Directors of the Company consider that impairment loss are not required to be recognised for the current year (2020: Nil).

20 INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Finished goods	**689**	408
	689	408

21 TRADE RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Gross trade receivables	**99,569**	100,563
Less: Impairment of trade receivables	**(99,569)**	(100,509)
Trade receivables, after impairment loss recognised	**–**	54

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.

21 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:

	2021 HK$'000	2020 HK$'000
Not more than 30 days	–	54
31-60 days	–	–
61-90 days	–	–
91-365 days	–	–
Over one year	99,569	100,509
	99,569	100,563

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

	2021 HK$'000	2020 HK$'000
Not past due	–	54
	–	54

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

	2021 HK$'000	2020 HK$'000
At 1 January	100,509	100,477
Exchange realignment	(940)	32
At 31 December	99,569	100,509

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Deposits for purchases of goods (Note (a))	**110,532**	119,925
Prepayments and other deposits	**89**	89
Other receivables (Note (b))	**40,586**	35,575
	151,207	155,589

Notes:

(a) The deposits at 31 December 2021 amounted to HK$110,532,000 (2020: HK$119,925,000) 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$11,082,000 (2020: HK$2,800,000) on such deposits made to those suppliers which was charged to profit or loss in respect of the current year.

Included in the deposits for purchase of goods are deposits paid to a non-controlling interest of a subsidiary amounted to HK$27,599,000 (2020: HK$26,715,000).

(b) As at 31 December 2021 and 2020, deposits and other receivables were substantially denominated in the functional currencies of the relevant group entities.

23 CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**974**	3,781
Cash and cash equivalents	**974**	3,781

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$405,000 (2020: HK$1,161,000). 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 2021, the Group's cash and cash equivalents to the extent of HK$159,000 (2020: HK$187,000) were denominated in currencies other than the functional currencies of the relevant group entities.

24 ASSETS CLASSIFIED AS HELD FOR SALE

	2021 HK$'000	2020 HK$'000
Interest in an associate – RockEast Energy Corp. ("RockEast") (note 17)	**57,954**	–

In December 2021, the Group was notified that RockEast's 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. Pursuant to the Drag-along Right (note 17), the Group was required to accept the Offer for sale of 29.95% equity interest in RockEast held by the Group at the consideration of CAD1.00 per share. Accordingly, the carrying amount of the Group's interest in RockEast, which approximates 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 current year) was reclassified and included in assets classified as held for sale. The sale was completed in March 2022.

25 TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**87,691**	84,824

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

	2021 HK$'000	2020 HK$'000
Not more than 30 days	**97**	107
31-60 days	**58**	33
61-90 days	**35**	7
91-365 days	**45**	9
Over one year	**87,456**	84,668
	87,691	84,824

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

26 OTHER PAYABLES AND ACCRUALS

	Notes	2021 HK$'000	2020 HK$'000
Customer advances	(a)	**30,422**	25,393
Other payables	(b)	**75,608**	71,711
Value-added tax and on other taxes payables		**3,861**	3,622
Accrued interest on other borrowings		**7,285**	6,872
Lease liabilities (note 30)		**303**	590
Other accrued charges		**15,284**	16,481
		132,763	124,669

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:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	29,129

(b) Other payables at 31 December 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 current year.

(c) As at 31 December 2021 and 2020, other payables and accruals were substantially denominated in the functional currencies of the relevant group entities.

27 OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Unsecured other borrowings from:		
– a shareholder (Note a)	**3,459**	–
– a related party (Note b)	**447,826**	408,435
– other parties	**37,209**	35,525
	488,494	443,960

	2021 HK$'000	2020 HK$'000
Unsecured other borrowings repayable:		
– Within one year	**488,356**	443,665
– More than one year but within two years	**138**	295
	488,494	443,960

	2021 HK$'000	2020 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**488,356**	443,665
Non-current liabilities	**138**	295
	488,494	443,960

Notes:

(a) During the current year, 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 this shareholder is unsecured, carries interest at 6% per annum and is repayable on demand. As set out in note 33(c), 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 current year, with the remaining balance together with interest thereon totalled of HK$3,459,000 outstanding at the end of the reporting period.

(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 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 2021 and 31 December 2020. The aggregate outstanding balance of the bonds together with interest thereon amounted to HK$447,826,000 (2020: HK$408,435,000) as at 31 December 2021.

(c) As 31 December 2021 and 2020, other borrowings were substantially denominated in the functional currencies of the relevant group entities.

28 PROMISSORY NOTES PAYABLE

	2021 HK$'000	2020 HK$'000
At 1 January	**60,929**	54,133
Interest expenses charged (note 8)	**8,268**	6,796
At 31 December	**69,197**	60,929
Analysed for reporting purposes as:		
Current liabilities	**69,197**	60,929

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 (2020: 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.

Accordingly, the promissory notes payable are wholly regarded as current liabilities at 31 December 2021 and 2020 presented in the consolidated statement of financial position.

29 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.

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Within one year	**33**	45	**33**	44
In the second to fifth years, inclusive	**–**	33	**–**	33
	33	78	**33**	77
Less: Future finance charges	**–**	(1)	**–**	–
Present value of lease obligations	**33**	77	**33**	77
Less: Amount due for settlement within 12 months			**(33)**	(44)
Amount due for settlement after 12 months			**–**	33

30 LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**303**	590
Within a period of more than one year but not more than two years	**324**	294
Within a period of more than two years but less than five years	**716**	1,007
More than five years	**12,379**	12,197
Total lease liabilities payable	**13,722**	14,088
Less: Amount due for settlement within twelve months included in other payables and accruals (note 26)	**(303)**	(590)
Amount due for settlement after twelve months shown under non-current liabilities	**13,419**	13,498

31 ASSETS RETIREMENT OBLIGATIONS

	2021 **HK$'000**	2020 HK$'000
At 1 January	**5,207**	5,651
Accretion expenses recognised	**248**	153
Eliminated upon disposal of oil properties	**–**	(572)
Exchange realignment	**30**	(25)
At 31 December	**5,485**	5,207

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, the discount rate applied to assets retirement obligations is 4.75% (2020: 4.75%) per annum.

32 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 2020	**29,209**	**2,721**	**31,930**
Deferred tax credited to profit or loss (note 12)	**(17,075)**	**–**	**(17,075)**
Exchange realignment	**155**	**(81)**	**74**
At 31 December 2020	**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	**12,277**	**2,559**	**14,836**

The Group has unused tax losses arising in Hong Kong of approximately HK$13,876,000 (2020: 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.

32 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 2021, 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 (2020: Nil).

33 SHARE CAPITAL

	Par value per share HK$	Number of ordinary shares '000	Nominal amount HK$'000
Authorised:			
At 1 January 2020 and 31 December 2020	0.01	**200,000,000**	2,000,000
Share consolidation implemented during the year ended 31 December 2021 (Note b)		**(180,000,000)**	–
At 31 December 2021	0.10	**20,000,000**	2,000,000
Issued and fully paid:			
At 1 January 2020	0.01	**5,703,616**	57,036
Issue of shares during the year ended 31 December 2020 (Note a)	0.01	**285,714**	2,857
At 31 December 2020	0.01	**5,989,330**	59,893
Share consolidation implemented during the year ended 31 December 2021 (Note b)		**(5,390,397)**	–
Issue of shares during the year ended 31 December 2021 (Note c)	0.10	**42,857**	4,286
At 31 December 2021	0.10	**641,790**	64,179

Notes:

(a) On 21 December 2020, the Company issued 285,714,285 new shares with the par value of HK$0.01 per share to an independent third party at the subscription price of HK$0.028 per share, which gave rise to proceeds of approximately HK$8,000,000 received by the Company.

(b) 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.

(c) 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)).

34 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 2021 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.

35 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 79.

(a) Share option reserve

	2021 HK$'000	2020 HK$'000
Share option reserve attributable to		
– the Company	–	–
– associates	3,632	3,632
	3,632	3,632

Details of the share options granted by the Company are set out in note 34.

(b) Capital reserve

Capital reserve is analysed as follows:

	2021 HK$'000	2020 HK$'000
Statutory surplus reserve (Note i)	178,368	178,368
	178,368	178,368

Movements during the year

	2021 HK$'000	2020 HK$'000
Balance at 1 January	178,368	178,368
Transferred from accumulated losses	–	–
Balance at 31 December	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.

36 ADDITIONAL INFORMATION FOR CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, 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 33(c).

(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 2021 and 31 December 2020, 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)	Promissory notes payable	Obligations under finance leases	Lease liabilities	Other borrowings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	6,458	54,133	196	15,655	429,609	506,051
Financing cash outflows	(1,356)	–	(119)	(3,345)	(27,845)	(32,665)
Finance costs for the year	1,770	6,796	2	908	42,022	51,498
Exchange realignment	–	–	(2)	870	174	1,042
As at 31 December 2020 and 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	**7,285**	**69,197**	**33**	**13,722**	**488,494**	**578,731**

37 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:

37 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

	2021 HK$'000	2020 HK$'000
Storage income from Tewoo Group	**72**	67
Interest expense on other borrowings for Tewoo Group	**39,391**	42,022

Balances with government-related entities

	2021 HK$'000	2020 HK$'000
Amount due from Tewoo Group (included in prepayments, deposits and other receivables)	**6,846**	20,166
Amount due to Tewoo Group (included in trade payables)	**83,886**	81,199
Other borrowings from Tewoo Group	**447,826**	408,435

(ii) Balances with the other related parties

	2021 HK$'000	2020 HK$'000
Amount due from a related party (included in prepayments, deposits and other receivables)	**27,599**	26,715
Amount due to a related party (included in other payables and accruals)	**–**	5,053
Other borrowings from a related party	**3,459**	–

(iii) Transactions with other related parties

Compensation of key management personnel of the Group

	2021 HK$'000	2020 HK$'000
Short term employee benefits	**3,237**	4,147
Post-employment benefits	**66**	47
Total compensation to key management personnel	**3,303**	4,194

38 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 2021

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

Financial assets at 31 December 2020

	Financial assets at amortised cost HK$'000
Trade receivables	54
Financial assets included in prepayments, deposits and other receivables	155,500
Cash and cash equivalents	3,781
	159,335

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

38 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities at 31 December 2020

	Financial liabilities at amortised cost HK$'000
Trade payables	84,824
Other payables and accruals	124,079
Other borrowings	443,960
Promissory notes payable	60,929
Obligations under finance leases	77
Lease liabilities	14,088
	727,957

39 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

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

40 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.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2021 would increase/(decrease) by HK$3,000 (2020: loss for the year would increase/(decrease) by HK$6,000). 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.

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$'000
31 December 2021		
If HK$ weakens against RMB	5	0
If HK$ strengthens against RMB	(5)	(0)
If HK$ weakens against USD	0.5	748
If HK$ strengthens against USD	(0.5)	(748)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Increase/ (decrease) in exchange rate %	(Increase)/ decrease in loss before tax HK$'000
31 December 2020		
If HK$ weakens against RMB	5	10
If HK$ strengthens against RMB	(5)	(10)
If HK$ weakens against USD	0.5	735
If HK$ strengthens against USD	(0.5)	(735)

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:

- 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.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Trade and other receivables and deposits (continued)

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 2021						
Expected loss rate	**0%–5%**	**0%–10%**	**0%–20%**	**0%–60%**	**80%–100%**	
Gross carrying amount (HK$'000)	**–**	**–**	**–**	**–**	**99,569**	**99,569**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**99,569**	**99,569**
31 December 2020						
Expected loss rate	0%–5%	0%–10%	0%–20%	0%–60%	80%–100%	
Gross carrying amount (HK$'000)	54	–	–	–	100,509	100,563
Loss allowance (HK$'000)	–	–	–	–	100,509	100,509

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 2021, the Group had a concentration of credit risk given that the top 5 customers account for 100% (2020: 96%) 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.

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.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) Trade and other receivables and deposits (continued)

Deposits and other receivables (continued)

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 2021 are regarded non-performing and additional impairment losses for the year amounted to HK$11,082,000 (2020: HK$2,800,000) 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.

Notes to Consolidated Financial Statements

31 December 2021

40 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	2021 HK'$000	2020 HK$'000
Cash at banks and bank deposits	A1-A3	**974**	3,165

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.

40 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$'000	Carrying amount at 31 December 2021 HK$'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	132,763	–	–	132,763	132,763
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
	779,270	4,920	17,220	801,410	791,762

40 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$'000	Carrying amount at 31 December 2020 HK$'000
As at 31 December 2020				
Non-derivative assets				
Trade receivables	54	–	54	54
Financial assets included in prepayments, deposits and other receivables	155,500	–	155,500	155,500
Cash and cash equivalents	3,781	–	3,781	3,781
	159,335	–	159,335	159,335

	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 2020 HK$'000
As at 31 December 2020					
Non-derivative financial liabilities					
Trade payables	84,824	–	–	84,824	84,824
Other payables and accruals	124,669	–	–	124,669	124,669
Other borrowings	443,960	–	–	443,960	443,960
Promissory notes payable	60,929	–	–	60,929	60,929
Obligations under finance leases	45	33	–	78	77
Lease liabilities	1,119	4,920	18,450	24,489	14,088
	715,546	4,953	18,450	738,949	728,547

40 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:

	2021 **HK$'000**	2020 HK$'000
Other borrowings	**488,494**	443,960
Promissory notes payable	**69,197**	60,929
Less: Cash and bank balances	**(974)**	(3,781)
Net debt	**556,717**	501,108
Equity attributable to owners of the Company	**(365,770)**	(81,090)
Total equity and net debt	**190,947**	420,018
Gearing ratio	**292%**	119%

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**–**	–
Amounts due from subsidiaries	**–**	174,637
Total non-current assets	**–**	174,637
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,081**	1,305
Amounts due from subsidiaries	**151,737**	211,142
Cash and cash equivalents	**280**	2,446
Total current assets	**153,098**	214,893
CURRENT LIABILITIES		
Other payables and accruals	**59,951**	52,932
Other borrowings	**488,356**	443,665
Promissory notes payable	**69,197**	60,929
Amounts due to subsidiaries	**5,878**	9,456
Total current liabilities	**623,382**	566,982
NET CURRENT LIABILITIES	**(470,284)**	(352,089)
NET LIABILITIES	**(470,284)**	(177,452)
EQUITY		
Share capital	**64,179**	59,893
Reserves (Note)	**(534,463)**	(237,345)
TOTAL EQUITY	**(470,284)**	(177,452)

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 29 March 2022 and is signed on its behalf by:

Cheung Ngai Lam
Director

Chung Wai Man
Director

41 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 2020	**1,492,097**	**160,670**	**773,090**	**(2,270,102)**	**155,755**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**(398,243)**	**(398,243)**
Issue of shares	**5,143**	**–**	**–**	**–**	**5,143**
At 31 December 2020	1,497,240	160,670	773,090	(2,668,345)	(237,345)
Loss for the year and total comprehensive income for the year	–	–	–	(300,118)	(300,118)
Issue of shares	3,000	–	–	–	3,000
At 31 December 2021	**1,500,240**	**160,670**	**773,090**	**(2,968,463)**	**(534,463)**

42 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 2021	Indirect 2021	Direct 2020	Indirect 2020	Principal activities
Super Energy Limited	Hong Kong	HK$1	**100%**	**–**	100%	–	Administrative function
Earning Power Inc.	British Virgin Islands ("BVI")	US$2	**–**	**100%**	–	100%	Investment holding
City Joint Investments Limited	BVI	US$1	**100%**	**–**	100%	–	Investment holding

42 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 2021	Indirect 2021	Direct 2020	Indirect 2020	Principal activities
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
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%	–	70%	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.

42 SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non wholly-owned subsidiaries of the Company that have 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	
		2021	2020	**2021** HK$'000	2020 HK$'000	**2021** HK$'000	2020 HK$'000
Qian'an Logistics	PRC	**30%**	30%	**(7,526)**	(5,266)	**79,273**	84,139

Summarised financial information in respect of the Company's subsidiaries at 31 December 2021 and 2020 that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

42 SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Qian'an Logistics

	In respect of the year ended 31 December	
	2021 **HK$'000**	2020 HK$'000
Current assets	**146,225**	155,071
Non-current assets	**208,080**	212,086
Current liabilities	**(85,270)**	(82,070)
Non-current liabilities	**(4,790)**	(4,636)
Equity attributable to owners of the Company	**184,972**	196,312
Non-controlling interests	**79,273**	84,139
Revenue	**1,404**	30,472
Expenses	**(26,491)**	(48,026)
Loss for the year	**(25,087)**	(17,554)
Loss attributable to owners of the Company	**(17,561)**	(12,288)
Loss attributable to non-controlling interests	**(7,526)**	(5,266)
Loss for the year	**(25,087)**	(17,554)
Total comprehensive income attributable to owners of the Company	**(11,354)**	(794)
Total comprehensive income attributable to non-controlling interests	**(4,866)**	(352)
Total comprehensive income for the year	**(16,220)**	(1,146)
Net cash (outflow) inflow from operating activities	**(49)**	31,277
Net cash outflow from financing activities	**–**	(31,113)
Net cash (outflow) inflow	**(49)**	164

43 CONTINGENT LIABILITIES

Pursuant to the civil complaint dated 29 November 2019 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 "Haitong Civil Complaint"), 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. This civil complaint is still in process. The effects of the appeal of the Haitong Civil Complaint on the Group cannot be assessed at this moment. No provision for the Haitong Civil Complaint has been made in the consolidated financial statements.

Pursuant to the civil complaint dated 22 November 2019 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 (the "Haotai Civil Complaint"), 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 2021. 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 was borne by Haotai. No provision for the litigation has been made in the consolidated financial statements.

44 EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

(a) On 27 January 2022, the Company, as borrower, entered into the loan agreement with Yick Chuen Credit Limited, a substantial shareholder of the Company as lender, pursuant to which the lender agreed to advance the loan with a maximum principal amount of HK$10,000,000 to the Company for a term of two years from the drawdown dates at an interest rate of 10% per annum. The loan to the extent of HK$1,060,000 was drawn by the Company as at 31 December 2021. Subject to the approval of the independent shareholders of the Company at the special general meeting, the loan will be secured by the share charge to be executed by a wholly-owned subsidiary of the Company as charger to charge the entire issued share capital of Wealth Delight International Holdings Limited owned by the chargor and the deed of assignment to be executed by the subsidiary of Wealth Delight International Holdings Limited as assignor, in favour of the lender, as continuing security for the repayment obligation of the Company under the loan agreement. The transactions stipulated in the loan agreements (including execution of the share charge and the deed of assignment) constitute connected transactions of the Company and are subject to, inter alias, independent shareholders' approval at the special general meeting to be held on 19 April 2022.

(b) The Group disposed of its associate, RockEast, details of which are set out in note 24.

(c) 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to warrant the continued listing of its shares (the "Decision") and that trading in the Company's shares be suspended on 8 December 2021 under Rule 6.01(3) of the Listing Rules. 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 Review Committee for review. On 25 February 2022, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee decided to up-hold the decision to suspend trading of the Company's shares. 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 of the decision (the "LRC Review") pursuant to Rule 2B.06(2) of the Listing Rules. Up to the date of approval of these consolidated financial statements, the Company has not received any reply from the Stock Exchange regarding the outcome of the LRC Review. For further details, please refer to the announcements of the Company dated 28 November 2021, 6 December 2021, 27 February 2022 and 7 March 2022.

Supplemental Information on Oil Exploring and Producing Activities (Unaudited)

31 December 2021

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 2021 and 2020 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	**2021 Light and Medium Oil MSTB**	2020 Light and Medium Oil MSTB
In the State of Illinois		
Proved	**68**	71
Probable	**525**	525
	593	596
In the State of Indiana		
Prove	**48**	48
Probable	**445**	445
	493	493
Total proved and probable	**1,086**	1,089

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**13,647**	34,609	5,522,721	11,536,943	3,090,306
Cost of sales and services	**(8,069)**	(32,912)	(5,488,620)	(11,469,113)	(2,899,156)
Gross profit	**5,578**	1,697	34,101	67,830	191,150
Other income and gains	**263**	3,213	21,406	1,831	19,144
Reversal of impairment of interests in an associate	**–**	–	–	15,910	–
Selling and distribution expenses	**–**	–	(131)	(218)	(29)
Administrative expenses	**(34,454)**	(38,536)	(58,411)	(57,942)	(48,923)
Gain 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)	(85,908)
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)	(38,934)
Impairment of trade receivables	**–**	–	–	(92,955)	(235)
Impairment of prepayments, deposits and other receivables	**(11,082)**	(2,800)	(4,474)	(114,010)	–
Share of profit (losses) of associates	**15,891**	(3,663)	4,118	(2,858)	(1,909)
Finance costs	**(51,199)**	(51,498)	(40,747)	(49,172)	(64,107)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(303,809)**	(399,185)	(383,224)	(472,513)	(29,751)
Income tax credit (expense)	**1,130**	17,011	4,412	24,460	(44,516)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(302,679)**	(382,174)	(378,812)	(448,053)	(74,267)
Discontinued operations					
Profit for the period from discontinued operations	**–**	–	–	–	753,956
(LOSS) PROFIT FOR THE YEAR	**(302,679)**	(382,174)	(378,812)	(448,053)	679,689

Five Year Financial Summary

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(302,679)**	(382,174)	(378,812)	(448,053)	679,689
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	**7,133**	14,404	2,532	(52,013)	(24,055)
Reclassification adjustments relating to foreign operations disposed of during the year	**–**	–	–	–	(79,162)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**7,133**	14,404	2,532	(52,013)	(103,217)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(295,546)**	(367,770)	(376,280)	(500,066)	576,472
Loss/(profit) for the year from continuing operations attributable to:					
Owners of the Company	**(295,153)**	(376,908)	(382,988)	(453,358)	(91,336)
Non-controlling interests	**(7,526)**	(5,266)	4,176	5,305	17,069
	(302,679)	(382,174)	(378,812)	(448,053)	(74,267)
(Loss)/profit attributable to:					
Owners of the Company	**(295,153)**	(376,908)	(382,988)	(453,358)	670,520
Non-controlling interests	**(7,526)**	(5,266)	4,176	5,305	9,169
	(302,679)	(382,174)	(378,812)	(448,053)	679,689
Total comprehensive income attributable to:					
Owners of the Company	**(290,680)**	(367,418)	(378,974)	(500,977)	565,290
Non-controlling interests	**(4,866)**	(352)	2,694	911	11,182
	(295,546)	(367,770)	(376,280)	(500,066)	576,472
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**525,421**	751,142	1,146,676	2,772,338	2,725,045
TOTAL LIABILITIES	**(811,918)**	(748,093)	(783,857)	(2,033,199)	(1,486,008)
NON-CONTROLLING INTERESTS	**(79,273)**	(84,139)	(84,491)	(81,797)	(80,886)
	(365,770)	(81,090)	278,328	657,342	1,158,151