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

(Incorporated in Bermuda with limited liability)

(Stock code: 988)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "Board") of directors (the "Directors", each a "Director") announces the audited consolidated results of Silk Road Logistics Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 together with the comparative audited figures for the year ended 31 December 2020 as follows:

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	*4*	**13,647**	34,609
Cost of sales and services		**(8,069)**	(32,912)
Gross profit		**5,578**	1,697
Other income and gains	*4*	**263**	3,213
Administrative expenses		**(34,454)**	(38,536)
Gain on deemed acquisition of an associate		**–**	1,651
Loss on disposal of oil properties		**–**	(1,573)
Impairment of goodwill		**(55,960)**	(32,778)
Impairment of interests in associates		**(172,846)**	(274,898)
Impairment of prepayment		**(11,082)**	(2,800)
Share of profit/(loss) of associates		**15,891**	(3,663)
Finance costs	*5*	**(51,199)**	(51,498)
LOSS BEFORE TAX	*6*	**(303,809)**	(399,185)
Income tax credit	*7*	**1,130**	17,011
LOSS FOR THE YEAR		**(302,679)**	(382,174)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(CONTINUED)*

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
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		**7,193**	14,404
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(295,486)**	(367,770)
Loss for the year attributable to:			
Owners of the Company		**(295,153)**	(376,908)
Non-controlling interests		**(7,526)**	(5,266)
		(302,679)	(382,174)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(290,620)**	(367,418)
Non-controlling interests		**(4,866)**	(352)
		(295,486)	(367,770)

		2021 HK$	2020 HK$ (restated)
LOSS PER SHARE	*8*		
– 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		**171,076**	176,855
Right-of-use assets		**73,294**	73,482
Interests in associates		**–**	214,954
Goodwill		**–**	55,960
Oil properties		**65,679**	65,363
Total non-current assets		**310,049**	586,614
CURRENT ASSETS			
Inventories		**689**	408
Trade receivables	*9*	**–**	54
Prepayments, deposits and other receivables		**151,207**	155,589
Income tax recoverable		**4,548**	4,696
Cash and cash equivalents		**974**	3,781
		157,418	164,528
Assets classified as held for sale	*10*	**57,954**	–
Total current assets		**215,372**	164,528
CURRENT LIABILITIES			
Trade payables	*11*	**87,691**	84,824
Other payables and accruals		**132,763**	124,669
Other borrowings		**488,356**	443,665
Promissory notes payable		**69,197**	60,929
Obligations under finance lease		**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 *(CONTINUED)*

As at 31 December 2021

	Note	2021	2020
	Note	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Other borrowings		**138**	295
Obligations under finance lease		**–**	33
Lease liabilities		**13,419**	13,498
Assets retirement obligations		**5,485**	5,207
Deferred tax liabilities		**14,836**	14,929
Total non-current liabilities		**33,878**	33,962
Net (liabilities)/assets		**(286,497)**	3,049
EQUITY			
Share capital	*12*	**64,179**	59,893
Reserves		**(271,403)**	(140,983)
Equity attributable to owners of the Company		**(207,224)**	(81,090)
Non-controlling interests		**(79,273)**	84,139
Total equity		**(286,497)**	3,049

Notes:

1. GENERAL

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

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 note 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 lender of the other borrowings and the holder of the promissory note payable for the extension of repayments of the other borrowings and the promissory note to a date when the Group has adequate working capital to serve the repayments.

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

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

Amendment 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 Hong Kong Institutes of Certified Public Accountants (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 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 in 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.

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[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020[2]

[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.

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 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. REVENUE, OTHER INCOME AND GAINS

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	2020
	HK$'000	*HK$'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
Total revenue	**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
Total other income and gains	**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.

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

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

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories sold*	**6,476**	31,882
Auditors' remuneration		
Audit services	**850**	768
Non-audit services	**230**	110
	1,080	878
Staff costs (excluding Directors' remuneration)		
Salaries and allowances	**5,469**	7,152
Retirement benefit costs	**330**	764
	5,799	7,916
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.

7. INCOME TAX CREDIT

	2021	2020
	HK$'000	*HK$'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	**(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 profit 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.

8. LOSS PER SHARE

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

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

The number of ordinary 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.

9. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'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.

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

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

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

10. ASSETS CLASSIFIED AS HELD FOR SALE

	2021	2020
	HK$'000	*HK$'000*
Assets classified as held for sale		
Interest in an associate – RockEast Energy Corp. ("RockEast")	**57,954**	–

In December 2021, the Group received a Drag-along Notice from RockEast notifying that RockEast majority shareholders have received and have accepted an offer (the "Offer") from an independent third party to acquire all of the issued shares of RockEast at the offer price of CAD1.00 per share. The Group was mandatorily required to accept the Offer for sale of the equity interest in RockEast held by the Group. Accordingly, the Group's interest in RockEast with its sale price of approximately HK$57,954,000 (after making impairment loss of HK$172,846,000 recognised on profit or loss for the year) was reclassified and included in assets classified as held for sale. The sale was completed in March 2022.

11. TRADE PAYABLES

	2021	2020
	HK$'000	*HK$'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	2020
	HK$'000	*HK$'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.

12. 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 a)*		(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 b)*	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 a)*		(5,390,397)	–
Issue of shares during the year ended 31 December 2021 *(Note c)*		42,857	4,286
At 31 December 2021	0.10	641,790	64,179

Notes:

(a) The Company implemented share consolidation of the ordinary shares on 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.

(b) On 21 December 2020, the Company issued 285,714,285 new shares 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.

(c) On 3 September 2021, the Company issued 42,857,142 new shares to an existing 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 existing shareholder and the remaining balance of HK$3,000,000 was applied for set off against part of the amount due by the Group to the existing shareholder of HK$3,000,000.

13. 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 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.

14. EVENTS OCCURRING AFTER 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 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 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 10.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

DISCLAIMER OF AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

BASIS FOR DISCLAIMER OF OPINION

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 HK$286,497,000, 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 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 detailed in note 2 of 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.

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 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.

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.

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.

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 10 of 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.

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 205.3% (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.

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).

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 announcement, 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.

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 10 of the consolidated financial statements.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 and Mr. Leung Yuen Wing (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 E.1.2

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 E.1.2 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 July 2021) had not attended the annual general meeting (the "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 So Yuk 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 of the Board 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 So Yuk 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.

COMPLIANCE WITH THE LISTING RULES

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 number of members of the Audit Committee comprises no INED with the Required Qualifications and 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 comply with the relevant Listing Rules requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

REVIEW OF ANNUAL RESULTS

The Audit Committee currently comprises four INEDs, namely Mr. Chen Wai Chung Edmund (the chairman), Ms. Choy So Yuk, Mr. Wu Zhao and Ms. Ang Mei Ling Mary. The Audit Committee has reviewed with the management and the Group's auditors the annual results of the Group for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.silkroadlogistic.com.hk). The annual report of the Company for the year containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 29 March 2022

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Cheung Ngai Lam and Mr. Chung Wai Man; one non-executive Director, namely Mr. Ouyang Nong; and four independent non-executive Directors, namely Ms. Choy So Yuk, Mr. Wu Zhao, Mr. Chen Wai Chung Edmund and Ms. Ang Mei Lee Mary.