



# 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



## 2021 INTERIM REPORT 中期報告

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Cheung Ngai Lam  
Mr. Chung Wai Man

## NON-EXECUTIVE DIRECTOR

Mr. Choi Wai Hong Clifford

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Choy So Yuk, *BBS, JP*  
Mr. Wu Zhao

## AUDIT COMMITTEE

Ms. Choy So Yuk, *BBS, JP*  
Mr. Wu Zhao

## REMUNERATION COMMITTEE

Ms. Choy So Yuk, *BBS, JP (Chairman)*  
Mr. Wu Zhao

## NOMINATION COMMITTEE

Ms. Choy So Yuk, *BBS, JP (Chairman)*  
Mr. Wu Zhao  
Mr. Cheung Ngai Lam

## EXECUTIVE COMMITTEE

Mr. Cheung Ngai Lam  
Mr. Chung Wai Man

## AUTHORISED REPRESENTATIVES

Mr. Cheung Ngai Lam  
Ms. Chiu Yuk Ching

## COMPANY SECRETARY

Ms. Chiu Yuk Ching

## AUDITORS

CCTH CPA Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong  
Website: <http://www.silkroadlogistics.com.hk>  
E-mail: [enquiry@srlhl.com](mailto:enquiry@srlhl.com)

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

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

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
REVENUE	5	6,907	2,957
Cost of sales and services	7	(3,789)	(3,248)
Gross profit/(loss)		3,118	(291)
Other income and gains	5	195	954
Administrative expenses		(16,526)	(19,308)
Impairment of other receivable		(11,027)	–
Share of profit/(loss) of associates		3,494	(4,536)
Finance costs	6	(23,134)	(23,051)
LOSS BEFORE TAX	7	(43,880)	(46,232)
Income tax credit	8	827	6,583
LOSS FOR THE PERIOD		(43,053)	(39,649)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		2,494	(10,652)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(40,559)	(50,301)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(37,676)	(38,964)
Non-controlling interests		(5,377)	(685)
Loss for the period		(43,053)	(39,649)
Total comprehensive income for the period attributable to:			
Owners of the Company		(36,225)	(46,020)
Non-controlling interests		(4,334)	(4,281)
Total comprehensive income for the period		(40,559)	(50,301)

		Six months ended 30 June	
		2021 HK\$	2020 HK\$ (restated)
LOSS PER SHARE	10		
– Basic		(0.06)	(0.07)
– Diluted		N/A	N/A

# Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	173,262	176,855
Right-of-use assets		73,032	73,482
Interests in associates		218,431	214,954
Goodwill		55,960	55,960
Oil properties		65,359	65,363
<b>Total non-current assets</b>		<b>586,044</b>	586,614
<b>CURRENT ASSETS</b>			
Inventories		569	408
Trade receivables	12	4,274	54
Prepayments, deposits and other receivables		144,131	155,589
Income tax recoverable		4,458	4,696
Cash and cash equivalents		822	3,781
<b>Total current assets</b>		<b>154,254</b>	164,528
<b>CURRENT LIABILITIES</b>			
Trade payables	13	88,416	84,824
Other payables and accruals		128,584	124,669
Bank and other borrowings		461,319	443,665
Promissory notes payable		65,460	60,929
Obligations under finance leases		33	44
<b>Total current liabilities</b>		<b>743,812</b>	714,131
<b>NET CURRENT LIABILITIES</b>		<b>(589,558)</b>	(549,603)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(3,514)</b>	37,011

# Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		138	295
Obligations under finance leases		–	33
Lease liabilities		13,516	13,498
Assets retirement obligations		5,338	5,207
Deferred tax liabilities		15,004	14,929
<b>Total non-current liabilities</b>		<b>33,996</b>	33,962
<b>Net (liabilities)/assets</b>		<b>(37,510)</b>	3,049
<b>EQUITY</b>			
Share capital	14	59,893	59,893
Reserves		(177,208)	(140,983)
<b>Equity attributable to owners of the Company</b>		<b>(117,315)</b>	(81,090)
Non-controlling interests		79,805	84,139
<b>Total (capital deficiency)/equity</b>		<b>(37,510)</b>	3,049

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium account	Share option reserve	Exchange fluctuation reserve	Capital reserve	Contribution surplus	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2021 (audited)	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 period	-	-	-	-	-	-	(37,676)	(37,676)	(5,377)	(43,053)
Other comprehensive income for the period:										
Exchange differences on transaction of foreign operations	-	-	-	1,451	-	-	-	1,451	1,043	2,494
Total comprehensive income for the period	-	-	-	1,451	-	-	(37,676)	(36,225)	(4,334)	(40,559)
Balance at 30 June 2021 (unaudited)	59,893	1,497,240	3,632	(9,723)	178,368	773,090	(2,619,815)	(117,315)	79,805	(37,510)
Balance at 1 January 2020 (audited)	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 period	-	-	-	-	-	-	(38,964)	(38,964)	(685)	(39,649)
Other comprehensive income for the period:										
Exchange differences on transaction of foreign operations	-	-	-	(7,056)	-	-	-	(7,056)	(3,596)	(10,652)
Total comprehensive income for the period	-	-	-	(7,056)	-	-	(38,964)	(46,020)	(4,281)	(50,301)
Balance at 30 June 2020 (unaudited)	57,036	1,492,097	3,632	(27,720)	178,368	773,090	(2,244,195)	232,308	80,210	312,518

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net cash used in operating activities</b>	<b>(2,412)</b>	<b>(1,824)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	–	1
Additions to property, plant and equipment, and oil property	–	(689)
<b>Net cash used in investing activities</b>	<b>–</b>	<b>(688)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New loans raised	–	328
Repayment of finance leases	(22)	(110)
Repayment of lease liabilities	(461)	(1,556)
Other financing activities	(7)	(670)
<b>Net cash used in financing activities</b>	<b>(490)</b>	<b>(2,008)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,902)</b>	<b>(4,520)</b>
Cash and cash equivalents at beginning of the period	3,781	4,369
Effect of foreign exchange rate changes	(57)	1,732
<b>Cash and cash equivalents at end of the period</b>	<b>822</b>	<b>1,581</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances included in cash and cash equivalents as stated in the condensed consolidated statement of financial position	822	1,581

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Notwithstanding that (a) the Group sustained net liabilities amounted to HK\$37,510,000 at 30 June 2021; (b) the current liabilities of the Group at 30 June 2021 exceed the Group's current assets at that date by HK\$589,558,000, which includes the bank and other borrowings and the promissory notes payable amounted to HK\$461,319,000 and HK\$65,460,000 respectively; and (c) the Group incurred net loss of approximately HK\$43,053,000 for the six months ended 30 June 2021, the directors considered it appropriate for the preparation of the condensed consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures which are in place or to be implemented:

Management of the Group closely monitors the financial position of the Group and the directors of the Company make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the lenders of the bank and other borrowings and the holder of the promissory note payable for the extension of repayments of the borrowings and the promissory note to a date when the Group has adequate working capital to serve the repayments. In addition, subsequent to the end of the reporting date, the Company entered into the Subscription Agreement for the issue of new ordinary shares of the Company, as detailed in note 19.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Changes in accounting policies and disclosures

The Group has adopted, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The adoption of the above amendments to HKFRSs effective in respect of the current period had not resulted in significant impact on the Group's condensed consolidated interim financial information. The Group has also not applied any new or amended standards that are not yet effective in respect of the current period.

## 3. ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

## 4. OPERATING SEGMENT INFORMATION

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

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

- (a) The commodities trading segment is engaged in the trading of commodities purchased from external parties;
- (b) The oil segment is engaged in exploration and production of oil as well as the provision of well drilling services; and
- (c) The logistics segment is engaged in the provision of transportation and warehousing services.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4. OPERATING SEGMENT INFORMATION (continued) Six months ended 30 June 2021

	Commodities trading segment HK\$'000 (unaudited)	Oil segment HK\$'000 (unaudited)	Logistics segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue</b>				
Sales to external customers	4,225	877	1,805	6,907
<b>Segment profit/(loss)</b>	1,463	2,705	(20,918)	(16,750)
Reconciliation: Unallocated income and expense, net				(27,130)
Loss before tax				(43,880)
<b>Other segment information</b>				
Capital expenditure	-	-	-	-
Depreciation and amortisation	-	753	6,307	7,060
Unallocated depreciation and amortisation				222

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2020

	Commodities trading segment HK\$'000 (unaudited)	Oil segment HK\$'000 (unaudited)	Logistics segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment revenue</b>				
Sales to external customers	–	970	1,987	2,957
<b>Segment loss</b>	–	(5,955)	(9,559)	(15,514)
Reconciliation:				
Unallocated income and expense, net				(30,718)
Loss before tax				(46,232)
<b>Other segment information</b>				
Capital expenditure	–	687	–	687
Depreciation and amortisation	–	796	6,339	7,135
Unallocated depreciation and amortisation				1,333

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

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4. OPERATING SEGMENT INFORMATION (continued) At 30 June 2021

	Commodities trading segment HK\$'000 (unaudited)	Oil segment HK\$'000 (unaudited)	Logistics segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Segment assets</b>	134,921	177,052	310,797	622,770
Reconciliation: Unallocated assets				117,528
Total assets				740,298
<b>Segment liabilities</b>	68,496	9,194	47,218	124,908
Reconciliation: Unallocated liabilities				652,900
Total liabilities				777,808

## At 31 December 2020

	Commodities trading segment HK\$'000 (audited)	Oil segment HK\$'000 (audited)	Logistics segment HK\$'000 (audited)	Total HK\$'000 (audited)
<b>Segment assets</b>	101,819	146,730	345,349	593,898
Reconciliation: Unallocated assets				157,244
Total assets				751,142
<b>Segment liabilities</b>	70,318	19,352	48,782	138,452
Reconciliation: Unallocated liabilities				609,641
Total liabilities				748,093

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
PRC	6,030	1,987
Other countries	877	970
	<b>6,907</b>	2,957

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

#### (b) Non-current assets

	Six months ended 30 June 2021 HK\$'000 (unaudited)	Year ended 31 December 2020 HK\$'000 (audited)
	PRC	238,386
USA	73,267	73,412
Other countries	218,431	214,954
	<b>530,084</b>	530,654

The above non-current asset information above is based on the location of the assets and exclude goodwill of approximately HK\$55,960,000 (31 December 2020: HK\$55,960,000).

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the aggregate of net invoiced value of goods sold, after allowances for returns and trade discounts, and sales of oil, net of royalties, obligations to governments and other mineral interest owners, and income from logistic services rendered, analysed as follows:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue from:		
Sales of goods	4,225	970
Rendering of services	2,682	1,987
	<b>6,907</b>	2,957
Revenue recognised		
– point in time	4,225	970
– over time	2,682	1,987
	<b>6,907</b>	2,957

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Other income and gains</b>		
Bank interest income	–	1
Government grants	193	704
Sundry income	2	249
	<b>195</b>	954

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest expenses, net of reimbursement on borrowings:		
Bank loans, overdrafts and other loans	7	877
Finance lease	–	–
Lease liabilities	461	501
Other borrowings	22,666	21,673
	<b>23,134</b>	23,051

## 7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cost of inventories sold	3,128	1,698
Cost of services	661	1,550
Staff costs (including directors' remuneration)	2,874	5,217
Depreciation of property, plant and equipment	5,661	5,718
Depreciation of right-of-use assets	1,513	2,547
Amortisation of oil properties	108	203
Lease payments under short term leases	–	69

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 8. INCOME TAX CREDIT

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Provision for the period		
Hong Kong profits tax	-	-
PRC corporate income tax	-	(6)
USA income tax	-	-
Over provision in prior periods	827	(6) 6,589
Current tax	827	6,583
Deferred tax	-	-
Total tax credit for the period	827	6,583

No provision for Hong Kong profits tax has been made as the entities in the Group have no assessable profits arising in Hong Kong for both of the periods presented. Under the Corporate Income Tax Law of the People's Republic of China (the "PRC"), the PRC corporate income tax is calculated at the rate of 25% (six months ended 30 June 2020: 25%) on the Group's estimated assessable profits arising in the PRC for the six months ended 30 June 2021. Tax on the assessable profits arising in the United States of America ("USA") is calculated at the rate of 21% (six months ended 30 June 2020: 21%), however, no such income tax has been provided for the current period as the Group did not generate any assessable profits arising in the USA.

## 9. DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 10. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$37,676,000 (six months ended 30 June 2020: HK\$38,964,000) and approximately 598,933,000 ordinary shares in issue during the current period (six months ended 30 June 2020: 570,361,600 ordinary shares after taking account of the share consolidation of the Company's issued ordinary shares which took place during the current period, as detailed in note 14).

### Diluted loss per share

No diluted loss per share is presented for the six months ended 30 June 2021 and 30 June 2020, as there were no potential ordinary shares in issue during those periods.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had not acquired or disposed of any significant items of property, plant and equipment (six months ended 30 June 2020: HK\$689,000). Depreciation for items of property, plant and equipment for the period amounted approximately HK\$5,661,000 (six months ended 30 June 2020: approximately HK\$5,718,000).

## 12. TRADE RECEIVABLES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade receivables	104,863	100,563
Less: Impairment of trade receivables	(100,589)	(100,509)
	4,274	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 customers generally ranged from one to three months. Overdue balances are reviewed regularly by senior management.

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Not more than 30 days	4,220	54
31-60 days	–	–
61-90 days	–	–
91-365 days	54	–
Over one year	100,589	100,509
	104,863	100,563

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 12. TRADE RECEIVABLES (continued)

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

	Six months ended 30 June 2021 HK\$'000 (unaudited)	Year ended 31 December 2020 HK\$'000 (audited)
At beginning of the period/year	100,509	100,477
Exchange realignment	80	32
At end of the period/year	100,589	100,509

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the management, impairment loss on trade receivables that have been past due has been adequately made in the consolidated financial statements.

The Group does not hold any collateral or other credit enhancements over these balances.

## 13. TRADE PAYABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Not more than 30 days	2,798	107
31-60 days	–	33
61-90 days	–	7
91-365 days	147	9
Over one year	85,471	84,668
	88,416	84,824

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

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 14. SHARE CAPITAL

	As at 30 June 2021 Number of ordinary shares of HK\$0.1 each	As at 31 December 2020 Number of ordinary shares of HK\$0.01 each	HK\$'000
<i>Authorised</i>	20,000,000,000	200,000,000,000	2,000,000
<i>Issued and fully paid</i>	598,932,987	5,989,329,877	59,893

The share consolidation of the Company's ordinary shares become effective 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\$0.1.

## 15. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following material balances and transactions with related parties during the period:

### Government-related entities operated in the PRC

China Huarong Investment Management Limited ("Huarong"), which is ultimately controlled by the PRC government, is a substantial shareholder of the Company. The Group had transactions and balances with PRC entities which are under the Group's one of the significant shareholders, Xinya Global Limited, which its ultimate holding company is Tewoo Group Co., Ltd (Tewoo Group Co., Ltd and its subsidiaries are referred to as the "Tewoo Group"). In addition, Tewoo Group are not part of the Group of Huarong and are ultimately controlled by the PRC government. Details of the transactions and balances were as follows:

(i) **Transactions/balances with government-related entities**  
*Major transactions with the government-related entities*

	For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Storage income from Tewoo Group	34	55
Interest expense on other borrowings for Tewoo Group	17,654	20,238

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 15. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Government-related entities operated in the PRC (continued)

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

Balances with government-related entities

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited) (restated)
Amount due from Tewoo Group (included in prepayments, deposits and other receivables)	46,811	46,811
Amount due to Tewoo Group (included in trade and other payables)	82,578	82,578
Other borrowings from Tewoo Group	426,089	408,435

### (ii) Transaction with other related parties

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management for the period was as follows:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short term employee benefits	2,025	4,063
Post-employment benefits	45	70
Total compensation paid to key management personnel	2,070	4,133

The remuneration of directors and key executives is recommended by the remuneration committee of the Company and determined by the Board having regard to the performance of individuals and market trends.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

## 17. CONTINGENT LIABILITIES

The Group had the following civil complaints during the reporting period:

- (a) Pursuant to the civil complaint dated 29 November 2019 (the "Haitong Civil Complaint") filed by Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the "Plaintiff") as plaintiff with the Shanghai Financial Court, the Plaintiff claimed against Silk Road Logistics (Qian'an) Company Limited ("Qian'an Logistics"), a subsidiary of the Company for (i) repayment of an aggregate amount of RMB197,754,190; 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 arose 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 (the "Account Receivables") payable by Qian'an Logistics to the Plaintiff in connection with five copper cathode contracts supplied by Tewoo to Qian'an Logistics. 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. The effects of the appeal of the Haitong Civil Complaint on the Group could not be assessed at the date of this report. No provision for the Haitong Civil Complaint has been made in the condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 17. CONTINGENT LIABILITIES (continued)

(b) Pursuant to the civil complaint dated 22 November 2019 (the "Haotai Civil Complaint") filed by 天津浩泰恒遠國際貿易有限公司 (transliterated in English as Tianjin Haotai Hengyuan International Trading Company Limited) ("Haotai") as plaintiff with Tianjin No. 1 Intermediate People's Court, Haotai claimed against Qian'an Logistics for (i) repaying the aggregate amount of RMB68,370,454, being the purchase price for goods supplied by the Haotai to Qian'an Logistics; and (ii) all the costs in relation to the Haotai Civil Complaint. On 4 January 2021, the Group received a judgment from Tianjin No. 1 Intermediate People's Court, pursuant to which the court approved the withdrawal application filed by Haotai in relation to its civil complaint against Qian'an Logistics, (i.e. the Haotai Civil Complaint) and the legal costs of the court should be borne by Haotai. The amount of RMB68,370,454 claimed by Haotai has been included in trade payables at 30 June 2021 presented in the condensed consolidated statement of financial position. No provision for the Haotai Civil Complaint has been made in the condensed consolidated financial statements.

## 18. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period's presentation.

## 19. EVENT AFTER THE REPORTING DATE

On 19 August 2021, the Company entered into a subscription agreement (the "Subscription Agreement") with a third party (the "Subscriber"), pursuant to which the Company has agreed to allot and issue, and the Subscriber has agreed to subscribe for 42,857,142 new ordinary shares of the Company, representing (i) approximately 7.16% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 6.68% of the entire issued share capital of the Company as enlarged by the issue of the subscription shares. The aggregate subscription price is HK\$6,000,000, representing HK\$0.140 per share, which will be satisfied by the cash payment of HK\$3,000,000 by the Subscriber with the remaining amount of HK\$3,000,000 to be offset against the amount owed by the Group to the Subscriber. Completion of the subscription of new ordinary shares of the Company has not taken place up to the date of approval of these condensed consolidated financial statements.

# General Information

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the Group recorded revenue of approximately HK\$6,907,000, compared with that of HK\$2,957,000 for the corresponding period in 2020, while the loss attributable to the owners of the Company is approximately HK\$37,676,000 for the period, compared with the loss attributable to the owners of the Company of approximately HK\$38,964,000 for the corresponding period in 2020. The business in the first half of the year maintained a similar level as that of 2020, and the Group is eager to expand the commodities trading business in the second half of the year.

## BUSINESS REVIEW

One year into the COVID pandemic, market sentiment has been lifted by the growing vaccine rollout, which has proven swift and effective especially in China, the United States, and the United Kingdom. The optimism is supported by earnings growth and has sent global equity markets to near all-time highs. Thanks to the solid demand for manufactured export and the pickup of consumer spending, China has enjoyed a stable recovery with a remarkable 12.7% GDP growth in the first half of the year. Although the world is yet to see full economic reopening and quarantine-free travel, Europe has recently caught up with China and the United States in the vaccination drive. This positive development is a significant step toward curbing the pandemic and will close the divergence among major economies.

The Group considers it vital to hold to the prudent approach to business selection which we have adopted since the COVID outbreak. Our business model has thus been finetuned to enhance corporate resilience, especially the preparedness for external shocks. The emphasis is on striking a delicate balance between facility utilization rate and business risk. Accordingly with scrupulous implementation of risk management measures, the Group has resumed the operations of all the business segments to various degrees as the situation permits. Our trading and logistics segment has continued business recovery in this controlled manner, and is expected to benefit substantially from the rebound of international trade. Our trading segment is progressively resumed from the benefit of this trend.

The oil market has undergone a demand-led recovery supported by the improving mobility in major economies. U.S. Energy Information Administration has recently forecast that global oil consumption will increase by 6% from 2020 levels in 2021. On the supply side, the OPEC+ alliance has also acted as a market rebalancing force despite the earlier dispute over the UAE's demand to raise its production baseline. These positive market developments have allowed the oil price to climb steadily from US\$50 to over US\$70 in the first half of the year. In Canada, RockEast Energy Corporation ("RockEast") of which the Group owns about 29.95% equity interest recorded a profit of approximately HK\$15,327,000 for the first half of the year 2021.

## General Information

All in all, the oil market is expected to be fairly balanced in the near future, with global oil production only beginning to outpace demand next year in a moderate fashion. The Group is looking to capitalize on this favorable market condition by exploring the possibility of disposing the equity interest in RockEast. In addition, for the purpose of ensuring listing rules compliance, an ordinary resolution was passed at the special general meeting held on 30 June 2021 to authorize the Directors to handle the possible scenario where other RockEast shareholders holding in aggregate 66.6% or more of the equity interest in RockEast accept a purchase offer on their equity interest and exercise the drag-along right. As always, the Group will endeavor to serve the best interests of our shareholders in making investment decisions regarding the oil assets.

For the facilitation of the trading of Company's shares, the special general meeting held on 3 June 2021 passed the pertinent resolutions regarding (a) share consolidation at the ratio of 1 consolidated share at par value of HK\$0.1 for every 10 shares of HK\$0.01 each and (b) the change in the board lot size from 3,000 shares to 9,000 consolidated new shares. These approved changes were duly effected on the Stock Exchange of Hong Kong in June 2021, with no material effect on the financial position of the Company or the interest of the Shareholders as a whole.

To improve the financial position of the Group, on 19 August 2021, the Company entered into a subscription agreement with a creditor to place its shares for cash and for setting off part of the debts owed to the creditor. The net proceeds in cash of approximately HK\$2,700,000 will be used for general working capital and help to solve the immediate fundings needs of the Group.

The debtor's turnover day of the Group for the six months ended 30 June 2021 was 57 days. 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

It is time to think beyond the economic reopening and ponder the post-COVID economic landscape. For most countries, the road map to reopening has been laid out and global growth is likely to run at historically high levels throughout 2021 and into 2022. While monetary and fiscal policy will continue to be accommodative, these supportive factors will begin to taper going forward, implying that macroeconomic readings could be currently at peak. In particular, the Chinese economy was first to be struck by COVID and also the first to emerge out of it. China has signaled the return to normalcy by highlighting systematic risk control in the banking sector alongside the continued credit support for SMEs. The Group will benefit from the envisioned stable macro environment and solid momentum across the industry sectors covered by our business portfolio.

## General Information

Although global prospects are brightened by vaccine rollout, there are still lingering uncertainties which might interfere with a smooth recovery trajectory. These factors include the more contagious virus variants and supply chain bottlenecks. The virus mutations could prolong the plight of the service and other contact-intensive industries with renewed lockdowns in major economies and could disrupt industrial production with deadly infection waves in developing countries. Furthermore, the pandemic has also placed heavy stress on the weak links in the global logistics network, which accentuates existing infrastructure and capacity constraints and leads to problems ranging from overcrowded ports to semiconductor shortage.

The above potential disruptions can present occasional or even intermittent operational challenges to the Group, testing our readiness for the scenario of possible cost spikes. The pandemic has intensified the urgency to adapt and develop, and may have increased the value at stake. Rather than merely responding to the short-term necessity to avert margin squeeze, the Group will take the opportunity to improve on our pricing strategies to achieve better profitability for the long-term corporate development.

Since the issue of the previous annual report, the management team has taken steps to raise the level of organizational flexibility and operational scalability across all the business segments in our organization. The Group has reorganized into small-scale business units with P&L accountability, appropriate decision-making authority, and direct reporting responsibility to the senior management. On this basis, the management team aims to implement a more strategic pricing process, which we believe can generate positive returns amid a changeable business environment. Furthermore, a pricing transformation in this well-timed window will be an impetus for the expansion of our trading platform.

Apart from an upgrade in data infrastructure and pricing analytics, our organizational structure and performance management will be further refined to reflect the analysis-driven, value-focused pricing approach. To this end, the senior management will be involved in commercial approval processes to build out our critical value-selling capabilities.

The Board express its deep appreciation to the staffs for exerting full effort to shore up the business since the COVID outbreak. During this period, the management team has had the opportunity to connect far more frequently with our colleagues albeit digitally. Together we are confident that the Group is in shape to get the customer contracts and prices right and well-placed to flourish in the post-COVID world.

# General Information

## CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 30 June 2021, the Group had total interest bearing bank and other borrowings and promissory notes payable in the amount of approximately HK\$461,457,000 and HK\$64,460,000 (31 December 2020: HK\$443,960,000 and HK\$60,929,000 respectively), representing an increase of HK\$17,359,000 and HK\$4,531,000 respectively. Both are repayable within one year.

The Group's total interest bearing bank and other borrowings of approximately HK\$461,319,000 are denominated in HK\$ is charged at fixed rate and approximately HK\$138,000 are denominated in US\$ is charged at fixed rate. The Group's cash and bank balances of approximately HK\$822,000 were 73% denominated in RMB, 8% in USD and 19% in HK\$. The promissory notes payable is denominated in HK\$.

As at 30 June 2021 and 31 December 2020, 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\$426,089,000 (31 December 2020: HK\$408,435,000). It is denominated in HK\$ and bear interest at fixed interest rate of 6% per annum, with an overdue penalty rate of 5% per annum.

## TREASURY POLICY

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

## MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

## EMPLOYEES

As at 30 June 2021, the total number of employees of the Group was approximately 39 (31 December 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, the Group adopted the existing share option scheme in June 2017 (the "Share Option Scheme"). As at 30 June 2021 and 31 December 2020, there were no outstanding share options granted under the Share Option Scheme.

# General Information

## CHARGE OF GROUP ASSETS

As at 30 June 2021 and 31 December 2020, there were no charge of assets for the Group.

## GEARING RATIO

As at 30 June 2021, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 107.7% (31 December 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.

# General Information

## CONTINGENT LIABILITIES

The Group had the following civil complaints during the reporting period:

- (a) Pursuant to the civil complaint dated 29 November 2019 (the “Haitong Civil Complaint”) filed by Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the “Plaintiff”) as plaintiff with the Shanghai Financial Court, the Plaintiff claimed against Silk Road Logistics (Qian’an) Company Limited (“Qian’an Logistics”), a subsidiary of the Company for (i) repayment of an aggregate amount of RMB197,754,190; and (ii) all the costs in relation to the Haitong Civil Complaint. The Haitong Civil Complaint arose 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 (the “Account Receivables”) payable by Qian’an Logistics to the Plaintiff in connection with five copper cathode contracts supplied by Tewoo to Qian’an Logistics. 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. The effects of the appeal of the Haitong Civil Complaint on the Group could not be assessed at the date of this report. Please refer to the announcements of the Company dated 23 July 2020, 5 August 2021 and 25 August 2021 for details. No provision for the civil complaint has been made in the condensed consolidated financial statements.
- (b) Pursuant to the civil complaint dated 22 November 2019 (the “Haotai Civil Complaint”) filed by 天津浩泰恒遠國際貿易有限公司 (transliterated in English as Tianjin Haotai Hengyuan International Trading Company Limited) (“Haotai”) as plaintiff with Tianjin No. 1 Intermediate People’s Court, Haotai claimed against Qian’an Logistics for (i) repaying the aggregate amount of RMB68,370,454, being the purchase price for goods supplied by the Haotai to Qian’an Logistics; and (ii) all the costs in relation to the Haotai Civil Complaint. On 4 January 2021, the Group received a judgment from Tianjin No. 1 Intermediate People’s Court, pursuant to which the court approved the withdrawal application filed by Haotai in relation to its civil complaint against Qian’an Logistics (i.e. the Haotai Civil Complaint) and the legal costs of the court should be borne by Haotai. Please refer to the announcements of the Company dated 23 July 2020 and 4 January 2021 for details. The amount of RMB68,370,454 claimed by Haotai has been included in trade payables at 30 June 2021 presented in the condensed consolidated statement of financial position. No provision for the Haotai Civil Complaint has been made in the condensed consolidated financial statements.

# General Information

## EVENT AFTER THE REPORTING PERIOD

On 19 August 2021, the Company entered into a subscription agreement (the "Subscription Agreement") with a third party (the "Subscriber"), pursuant to which the Company has agreed to allot and issue, and the Subscriber has agreed to subscribe for 42,857,142 new ordinary shares of the Company, representing (i) approximately 7.16% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 6.68% of the entire issued share capital of the Company as enlarged by the issue of the subscription shares. The aggregate subscription price is HK\$6,000,000, representing HK\$0.140 per share which will be satisfied by the cash payment of HK\$3,000,000 by the Subscriber with the remaining amount of HK\$3,000,000 to be offset against the amount owed by the Group to the Subscriber. Completion of the subscription of new ordinary shares of the Company has not taken place up to the date of approval of these condensed consolidated financial statements.

## DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 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 positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares	Nature of Interest	Total	Approximate percentage of the issued share capital
Ms. Choy So Yuk	27,190(L)	Personal interests	27,190(L)	0.01%
Mr. Meng Fanpeng	48,000(L)	Personal interests	48,000(L)	0.01%

L – Long position

S – Short position

Save as disclosed above, as at 30 June 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.

# General Information

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## SHARE OPTIONS SCHEME

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

As at 1 January 2021 and 30 June 2021, there was no outstanding share option. During the period, no share options were granted, cancelled, lapsed or exercised.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and Chief Executive" above, as at 30 June 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	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
Huarong Huaqiao Asset Management Co., Ltd.* ("Huarong Huaqiao") 華融華橋資產管理股份有限公司	Interest of controlled corporation	Corporate interests	170,372,822(L and S) (Notes 1 and 2)	28.45%
China Huarong Asset Management Co., Ltd. ("Huarong Asset Management") 中國華融資產管理股份有限公司	Interest of controlled corporation	Corporate interests	170,372,822(L and S) (Notes 1 and 2)	28.45%
Cai Jianjun ("Mr. Cai")	Interest of controlled corporation	Corporate interests	170,372,822(L) (Note 2)	28.44%
	Family Interest	Personal interests	1,000,000(L) (Note 3)	0.17%
			Total: 171,372,822(L)	28.61%
Yuan Jing	Beneficial owner	Personal interests	1,000,000(L)	0.17%
	Family Interest	Corporate interests	170,372,822(L) (Note 4)	28.44%
			Total: 171,372,822(L)	28.61%

# General Information

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

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
China Yangtze River Petrochemical Group Limited ("Yangtze River")	Beneficial owner	Corporate interests	170,372,822(L) (Note 2)	28.44%
Xinya Global Limited 新亞環球有限公司	Beneficial owner	Corporate interests	43,822,412(L) (Note 5)	7.32%
Tewoo Import & Export (HK) Limited	Interest of controlled corporation	Corporate interests	43,822,412(L) (Note 5)	7.32%
Tewoo Import and Export Trade Co., Limited* 天津物產進出口貿易有限公司	Interest of controlled corporation	Corporate interests	43,822,412(L) (Note 5)	7.32%
Tewoo Group (Hong Kong) Limited	Interest of controlled corporation	Corporate interests	43,822,412(L) (Note 5)	7.32%
Tewoo Group Co., Ltd.* 天津物產集團有限公司	Interest of controlled corporation	Corporate interests	43,822,412(L) (Note 5)	7.32%
Tianjin Rongxin Co., Ltd* 天津融信有限責任公司	Interest of controlled corporation	Corporate interests	43,822,412(L) (Note 5)	7.32%
Tianjin Binhai Environmental Energy Development Co., Ltd* 天津濱海環能發展有限公司	Interest of controlled corporation	Corporate interests	43,822,412(L) (Note 5)	7.32%

L – Long position

S – Short position

# General Information

## Notes:

1. China Huarong Investment Management Limited ("Huarong Investment Management") is interested in these 170,372,822 shares. Pure Virtue Enterprises Limited owns 100% of Huarong Investment Management and is wholly-owned by China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is owned 100% by Huarong Huaqiao which is owned 91% by Huarong Zhiyuan Investment & Management Co., Ltd. Huarong Asset Management owns 100% of Huarong Zhiyuan Investment & Management Co., Ltd.
2. Pursuant to the put option deed entered into between Yangtze River, a company wholly-owned by Mr. Cai, and Huarong Investment Management, Huarong Investment Management may put any or all of these 170,372,822 shares to Yangtze River. Huarong Investment Management has exercised the put option on 24 June 2020 and Yangtze River is under an obligation to purchase these 170,372,822 shares.
3. Ms. Yuan Jing holds these 1,000,000 shares; Mr. Cai is the spouse of Ms. Yuan Jing, accordingly, Mr. Cai is deemed to have interest in these 1,000,000 shares.
4. Ms. Yuan Jing is the spouse of Mr. Cai, accordingly, she is deemed to have interest in the shares held by Yangtze River referred to Note 2 above.
5. These shares is beneficially owned by Xinya Global Limited. Xinya Global Limited is wholly owned by Tewoo Import & Export (HK) Limited. Tweek Import & Export (HK) Limited is owned as to 49% by Tewoo Import And Export Trade Co., Limited and 51% by Tewoo Group (Hong Kong) Limited. Tewoo Import and Export Trade Co., Limited is owned as to 100% by Tianjin Rongxin Co., Ltd which is wholly-owned by Tianjin Binhai Environmental Energy Development Co., Ltd. Tewoo Group (Hong Kong) Limited is wholly owned by Tewoo Group Co., Limited.

\* The Chinese name of these companies are translated into English for reference purposes only.

Save as disclosed above, the Directors are not aware of any other persons who, at 30 June 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.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, except the following deviations:

### Code provisions A.2.1 to A.2.9

Code provisions A.2.1 to A.2.9 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual and set out key responsibilities of the chairman from a corporate governance perspective. During the period under review, no chairman (the "Chairman") and chief executive officer (the "CEO") has been appointed by the Company. However, all Directors together bring diverse experience and expertise to the Board. The Board will keep reviewing the current structure of the Board from time to time and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the Chairman and the CEO as appropriate.

### 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 namely, Ms. Choy So Yuk and Mr. Leung Yuen Wing (resigned as an independent non-executive Director on 22 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.

## General Information

### 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 independent non-executive Directors, Mr. Wu Zhao and Mr. Wong Chun Hung (resigned on 1 July 2021) had not attended the annual general meeting and the special general meeting held on 3 June 2021 (“2021 AGM” and the “2021 First SGM” respectively) due to other commitments which must be attended to by them. The independent non-executive Directors, 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 in the above, the Company had no Chairman during the period under review, the then executive Director, Mr. Meng Fanpeng (resigned on 1 July 2021) acted as the chairman of the 2021 AGM and the 2021 First SGM and the 2021 Second SGM, the then non-executive Director, Mr. Qin Bo (resigned on 4 June 2021) and the independent non-executive Director, Ms. Choy So Yuk had attended the 2021 AGM and the 2021 First SGM, the non-executive Director, Mr. Choi Wai Hong Clifford, and the independent non-executive Director, 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 send the board papers at the earliest possible time to meet the CG Code requirements in future.

### INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 independent non-executive Director on 1 July 2021, the Board comprises five members with two executive Directors, one non-executive Director and two independent non-executive Directors. As a result, the number of independent non-executive Director fell below the minimum number. The Board has lacked of at least one independent non-executive Director with the Required Qualifications under Rule 3.10 of the Listing Rules. The number of members of the Audit Committee comprises no independent non-executive Director with the Required Qualifications and has reduced to two which is below the minimum number prescribed under Rule 3.21 of the Listing Rules.

In order to comply with Rules 3.10 and 3.21 of the Listing Rules, the Company is endeavoring to identify a suitable candidate to fill the vacancy and make further announcement as and when appropriate.

# General Information

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

## CHANGE OF INFORMATION OF DIRECTORS

On 22 January 2021, Mr. Leung Yuen Wing and Mr. Liu Wei resigned as independent non-executive Directors and Mr. Wong Chun Hung was appointed as independent non-executive Director.

Mr. Zou Mingwu retired by rotation as an independent non-executive Director from the conclusion of the 2021 AGM on 3 June 2021.

On 4 June 2021, Ms. Yang Yi resigned as executive Director and Mr. Qin Bo resigned as non-executive Director, Mr. Cheung Ngai Lam and Mr. Chung Wai Man were appointed executive Directors and Mr. Choi Wai Hong Clifford was appointed non-executive Director.

On 1 July 2021, Mr. Meng Fanpeng resigned as executive Director and Mr. Wong Chun Hung resigned as independent non-executive Director.

On 4 July 2021, Ms. Wong Kai Ling resigned as executive Director.

Mr. Choi Wai Hong Clifford, a non-executive Director of the Company, has been an independent non-executive director of South Shore Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code 577, "South Shore") since 18 May 2021. On 24 June 2021, a winding-up petition ("Winding-up Petition") was presented to the Supreme Court of Bermuda by a creditor of South Shore. The Winding-up Petition was for the debt and interest accrued thereunder, in the aggregate amount of HK\$7,016,849.32 in respect of a term loan facility agreement. On 23 July 2021, the Supreme Court of Bermuda ordered South Shore be wound up in accordance with section 161 of the Companies Act 1981 and the joint provisional liquidators were appointed. Please refer to the announcement of the Company dated 6 August 2021 for details.

## REVIEW BY THE AUDIT COMMITTEE

The Audit Committee currently comprises two independent non-executive Directors, namely, Ms. Choy So Yuk and Mr. Wu Zhao. The interim report of the Group for the six months ended 30 June 2021 has not been audited or reviewed by the Company's auditors but has been reviewed by the Audit Committee.

On behalf of the Board

**Cheung Ngai Lam**

*Executive Director*

Hong Kong, 30 August 2021