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

2017
ANNUAL REPORT 年報

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Corporate Information

EXECUTIVE DIRECTORS
Ding Zhiyi *(Chairman and Chief Executive Officer)*
Zhao Cheng Shu *(Deputy Chairman)*
Ng Tze For
He Fengnian

NON-EXECUTIVE DIRECTOR
Cai Jianjun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Choy So Yuk, *BBS, JP*
Leung Yuen Wing
Wu Zhao
Zhu Dengkai
Liu Wei

AUDIT COMMITTEE
Leung Yuen Wing *(Chairman)*
Choy So Yuk, *BBS, JP*
Wu Zhao
Zhu Dengkai

REMUNERATION COMMITTEE
Zhu Dengkai *(Chairman)*
Choy So Yuk, *BBS, JP*
Leung Yuen Wing
Wu Zhao

NOMINATION COMMITTEE
Ding Zhiyi *(Chairman)*
He Fengnian
Choy So Yuk, *BBS, JP*
Leung Yuen Wing
Zhu Dengkai
Wu Zhao
Liu Wei

EXECUTIVE COMMITTEE
Ding Zhiyi *(Chairman)*
Ng Tze For
He Fengnian

AUTHORISED REPRESENTATIVES
Ng Tze For
Chiu Yuk Ching

COMPANY SECRETARY
Chiu Yuk Ching

AUDITORS
CCTH CPA Limited

REGISTERED OFFICE
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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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Wanchai
Hong Kong

PRINCIPAL BANKERS
Citic Bank International Limited
DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited

Chairman and CEO Statement

Dear Shareholders,

2017 marked an exceptional eventful year for Silk Road Logistics Holdings Limited (the "Company", formerly known as Loudong General Nice Resources (China) Holdings Limited) and its subsidiaries (collectively, the "Group"). In September 2017, the Company completed the disposal of its loss-making coke manufacturing operation in Shanxi, China, to focus on core business in warehouse logistics and supply chain for select bulk commodities. At the same time, the Company successfully brought in one of China's largest state-owned financial asset management groups, China Huarong International Holdings Limited ("China Huarong"), to become its major shareholder. During the year, the Board of directors has seen major reshuffles and I am honoured to take up the role of Chairman and CEO to lead the Company through this transformation.

It was exhilarating that the Group managed to post its first profitable year in 2017 after four years of consecutive losses with attributable profit amounted to approximately HK$684 million. Such encouraging result turnaround was achieved thanks to the substantial gain on disposal of the old Shanxi coking plant, increased profit derived from the warehouse logistics subsidiary, Tianjin Property Qian'an Logistics Company Limited ("Qian'an Logistics"), Hebei, China, and a modest profit contribution from our 30%-owned oil-producing associate, RockEast Energy Corporation ("RockEast"), Canada.

In the past few years, amidst an extended adverse industry environment in coke manufacturing, the Company began to speed up the transitioning to develop a business focused on modern warehouse logistics and supply chain for select commodities moving along cities from Tianjin to Inner Mongolia in China. Beginning with the acquisition of Qian'an Logistics in 2016, this logistics warehousing and trading business for coal, iron ore and metals has delivered growing revenue and profit contribution in the past two years. Besides, the Group has also invested in other similar logistics projects in Inner Mongolia, which although are still in startup stages. Yet, we believe these re-positioning initiatives has laid a good foundation for the Group to grow in the next few years. Riding on the Belt and Road state policy, we are well positioned to exploit opportunities arising out of China's commitment of about US$350 billion to the Belt and Road initiative projects by 2020.

During the year, the Company's oil producing sector reported mixed results as RockEast posted higher revenue and profit contribution in face of oil price rebound and increased production volume, whereas the US oil operation remained in the red caused by stubbornly high cost base. Average WTI oil price has recovered considerably from its historical low in 2016 and trended higher in the second half of 2017 boosted by the Organization of the Petroleum Exporting Countries ("OPEC") and non-OPEC members' extension of production cut to the end of 2018.

Chairman and CEO Statement

OUTLOOK AND BUSINESS STRATEGIES

In alignment with China's Belt and Road policy and to better reflect our new business strategy, the Company was renamed to Silk Road Logistics Holdings Limited in January 2018.

We are excited our asset portfolio optimization exercise is beginning to take shape to focus in warehouse logistics and supply chain for select commodities. Knowing commodities have always been prone to volatility cycle, despite investments lag have helped to support prices and boost sentiment in 2018, we will fast track to strengthen our supply chain model to counter the volatility by enhancing the services and products along the value chain between suppliers and end-users. Towards this end, we are driving to obtain member status for our warehouse in a commodity exchange in China, which will substantially boost revenue and optimize our warehouse management services for end-users to better link to more financing alternatives. To thrive in this new era, our warehouses are well equipped to meet the highest green environmental standard, and best located along the commodities corridors from Tianjin-Hebei to Inner Mongolia.

In 2018, the Company will continue to expand and search for suitable warehouse logistics operations and other quality assets, both in China and overseas. We will adhere to a value-driven approach, optimize our asset portfolio and focus on the quality of our mergers and acquisition targets. We will prioritize high-return and quick-monetization assets to enhance the competitiveness of our core business and to secure the mid-to-long term sustainable development of the Company.

With the continued support of our two largest shareholders, China Huarong and Tewoo Group Co Ltd, we are now better positioned to meet future challenges and capture any growth and business opportunities whenever they arise. We will pursue deeper strategic partnerships with our valued shareholders in exploring investment opportunities as well as financial support and collaborations.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our business associates, partners and customers for their unwavering support for all these years, giving us the opportunity to forge meaningful relationships together. I would also like to extend my appreciation to our staff and management team for their commitment and dedication during these challenging times. Lastly, I want to express my gratefulness to our shareholders who have seen the value in us. In association with the Company's refreshed strategy, I look forward to 2018 and beyond with buoyant optimism.

Chairman and Chief Executive Officer
DING Zhiyi

26 March 2018

Management Discussion and Analysis

The Board is pleased to report that the Company has posted its first profit for the year 2017, after four consecutive years of losses, largely thanks to significant non-cash profit from the disposal of its discontinued operations. Profit attributable to the Owners of the Company for the year ended 31 December 2017 amounted to approximately HK$670,520,000, representing an inspiring turnaround from loss attributable to the Owners of the Company of about HK$679,007,000 registered in the preceding year.

The divestment of the loss-making discontinued operations, Buddies Power Enterprises Limited ("Buddies Power") and Shanxi Loudong-General Nice Coking & Gas Co. Ltd ("Shanxi Loudong") and exit from coal processing and metallurgical coke manufacturing topped the Company's transformation agenda in 2017. The successful disposal helped not only a notable profit turnaround but also released the Company's resources to focus on continuing core operations in warehouse logistics and supply chain for select commodities.

FINANCIAL RESULTS

Continuing Operations

For the year ended 31 December 2017, the Group recorded revenue from continuing operations of approximately HK$3,090,306,000 (2016 (restated): approximately HK$2,561,245,000), representing a 20.7% increase from the previous year. The Group's gross profit of the continuing operations rose to approximately HK$191,150,000 for the year ended 31 December 2017 from approximately HK$56,905,000 recorded in 2016, with the gross profit margin increased to 6.2% from 2.2% in prior year.

The Company recorded a loss attributable to the owners of the Company for the continuing operations for the year ended 31 December 2017 to approximately HK$91,336,000 from that of about HK$95,352,000 posted in the preceding year, mainly due to the rebound for commodities markets leading to an increase in profit from the trading sector.

Discontinued Operations

The revenue and loss attributable to the owners of the Company for the discontinued operations were approximately HK$542,560,000 and HK$143,102,000 respectively for the year ended 31 December 2017 (2016: approximately HK$764,911,000 and HK$617,755,000 respectively). The decrease in loss from the discontinued operations was due to the overall reduction in impairment and rebound of the commodities prices compared with prior year.

During the year, a non-cash gain from the disposal of coke manufacturing segment was resulted with an amount of HK$897,065,000, leading to an overall substantial turnaround results from loss to profit compared with prior year.

Management Discussion and Analysis

BUSINESS REVIEW

On 29 September 2017, the Group accomplished its crucial task to complete the disposal of the entire issue share capital of Buddies Power and its subsidiaries, including Shanxi Loudong. After several years of heavy impairment incurred on the metallurgical coke segment that led to massive net liabilities, the disposal of this segment recognized a substantial non-cash gain for the Group in 2017, which amounted to HK$897,065,000. In view of the protracted difficult industry environment in coal processing and metallurgical coke manufacturing, we see little prospect in running the sustained loss-making unit without substantial capital expenditure to upgrade the facilities to meet the increasingly stringent Government environmental requirements. Indeed, the sale of the discontinued operations marked a key milestone to transform the Company to focus on the more stable and profitable part of the value chain, i.e. warehouse logistics and associated trading for select bulk commodities.

The debtor's turnover day of the Group in 2017 was reduced to 57 days compared with 90 days in 2016. It is in line with the credit period of the Group extended 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. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

The Company's major subsidiary, Tianjin Property Qian'an Logistics Company Limited ("Qian'an Logistics"), continued to be the primary revenue and profit provider of the Group's continuing operation. Revenue from trading segment amounted to approximately HK$3,084,802,000 in 2017, rose 20.7% from about HK$2,555,257 a year earlier, with Qian'an Logistics accounted for about 80% of the segment revenue. Qian'an Logistics also contributed profit of about HK$42,320,000 in 2017, compared with HK$34,439,000 in 2016, which reinforced our business strategy to focus on high return franchise business – warehouse logistics and supply chain operation.

In addition to the original supply agreement, in October 2017, Hebei Baoli Huifeng Shiye Company Limited ("Baoli") and the Group entered into a purchase agreement pursuant to which Baoli and its subsidiaries may during the term of the purchase agreement and subject to the agreed maximum caps supply coal, coke and iron ores (the "Goods") to the Group at the price determined through arm's length negotiations between the suppliers and the purchasers by reference to the prevailing market prices of the Goods, and no less favourable than that provided to independent third parties. The Board considers that the purchase agreement will enable the Group to receive a reliable and stable source of supplies to meet our end-customers demand in northern China.

For the Group's oil producing segment, 2017 was a year of mixed result. WTI crude oil has trended higher in the second half of 2017 towards the $60 level and rebounded considerably from its 2015 lowest level in recent history. Benefited from improved oil price and effective cost control, the Company's 30%-owned associate, Rockeast Energy Corporation ("Rockeast"), has reported increased profit in 2017 by 11 times from prior year. However, the Company's tiny US oil producing subsidiary remained under water due to the tenaciously high production cost of its old well operation. The Group will monitor closely the potential in this segment and constantly reassess existing oil asset portfolio to better allocate the Group's resources.

As of 31 December 2017, the Group's total equity increased by about 6 times to approximately HK$1,239,037,000 from approximately HK$204,881,000 recorded in 2016 with gearing ratio stood at 29% (31 December 2016: 92%). The change was contributed by the recognition of substantial gain in disposal of Buddies Power and its subsidiaries in the year.

Management Discussion and Analysis

OUTLOOK

The Board is committed to drive its refreshed strategy to transform the Group to become a key player in resources, warehouse logistics and related commodities supply chain business. We are building a supply chain that encompasses the higher return portions of value chain from warehouse storage, transportation logistics (rail and road), associated commodities trading, bonded warehouse services and financing linked to commodity exchange in China. Benefited from the Belt and Road policy by the PRC Government and the strategic locations of our investments from Tianjin, Hebei to Inner Mongolia, the warehouse logistics supply chain business will certainly be a driving force of our future growth.

To achieve this goal, the Company will expand the business of Qian'an Logistics, our non-wholly subsidiary, and hopefully help it to obtain warehouse member status linked with certain commodity exchange in China in 2018. The Board believes that leveraging on its network and solid experience in commodities trading and warehouse logistics, the trading and logistics segments of the Group will be the key revenue stream of the Group in the near future.

Furthermore, the Group is determined to explore other opportunities in commodities and resources, and other quality assets with potentials, both in China and overseas, which would help enriching the business portfolio and enhance higher return and sustainable competitiveness of the Company in this highly volatile market environment.

In September, China Huarong Investment Management Limited ("Huarong Investment"), a subsidiary of China Huarong International Holdings Limited ("China Huarong") converted the convertible bonds with the principal amount of HK$400 million, and 1,393,728,222 shares of the Company were allotted. Huarong Investment currently holds approximately 29.9% issued shares of the Company and is the largest shareholder of the Company.

The Group believes that with the continued support of our two State-owned shareholders, China Huarong and Tewoo Group Co. Ltd (天津物產集團有限公司) respectively, it is in a strong position to build upon its core strengths to expand the platform to become one of China's leading players in select commodities, resources and logistics warehousing operation.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2017, the Group had total interest bearing bank and other borrowings for the continuing and discontinued operations are in the amount of approximately HK$144,551,000 and HK$1,871,080,000 respectively (31 December 2016: HK$103,034,000 and HK$1,773,575,000 respectively), representing a increase of HK$41,517,000 for the continuing operation and an increase of HK$97,505,000 for the discontinued operations. The Group's interest bearing bank and other borrowings are repayable within one year.

The Group's total interest bearing bank and other borrowings for both of the continuing and discontinued operations of approximately HK$1,979,144,000 are denominated in Renminbi ("RMB") and HK$36,487,000 are denominated in HK$ are both charged at floating interest rates. The Group's cash and bank balances of the continuing operations of approximately HK$18,663,000 were 77% denominated in RMB, 6% in USD and 17% in HK$, while the cash and bank balances of the discontinued operations of approximately HK$1,010,000 were 100% denominated in RMB.

As at 31 December 2017, the Group had total convertible bonds with the aggregate principal amount of approximately HK$300,000,000 (31 December 2016: HK$700,000,000), which are redeemable in the 2018. The convertible bonds are denominated in HK$ and bear interest at fixed interest rate of 6% 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

On 26 June 2017, the Group entered into a disposal agreement to dispose Buddies Power and its subsidiaries, including Shanxi Loudong for a consideration of HK$8,000,000. The purchaser was the holder of 5.52% equity interest in Shanxi Loudong. The disposal was completed on 29 September 2017.

EMPLOYEES

As at 31 December 2017, the total number of employees of the Group was approximately 60 (31 December 2016: 1,000). 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 has adopted a new share option scheme subsequent to the lapse of the old share option scheme in June 2017. As at 31 December 2017, no (31 December 2016: 4,214,351) share options was outstanding and no share option was granted under the new scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2017, the bank deposits of approximately nil (31 December 2016 HK$19,307,000) and a property with a carrying value of approximately HK$13,030,000 (31 December 2016: HK$13,373,000) are pledged as securities for the Group's banking facilities.

GEARING RATIO

As at 31 December 2017, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 29% (31 December 2016: approximately 92%). 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

The Group had no material contingent liabilities as at 31 December 2017 (2016: Nil).

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ding Zhiyi, aged 36, was appointed an executive Director, the chairman of the Board, the chief executive officer and chairman of the executive committee and the nomination committee of the Company on 1 November 2017. Mr. Ding obtained a bachelor degree in Pure Mathematics and Applied Mathematics from Shanghai University in the People's Republic of China and a master of Mathematics Science from University of Adelaide in Australia. He is currently an assistant to the general manager of China Huarong International Holdings Limited ("Huarong International", a subsidiary of China Huarong Asset Management Company Limited (stock coke: 2799), the shares of which is listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") together with its subsidiaries, "Huarong Group"). Mr. Ding held senior positions in Huarong Group since he joined in 2014. He was the general manager of the business review division of Huaong International and an assistant to the general manager in a subsidiary of Huarong International. He was the head of the corporate finance department of CCB International (Shanghai) Limited before he joined Huarong Group in 2014. China Huarong Investment Management Limited, a subsidiary of Huarong International, is a substantial shareholder of the Company.

Mr. Zhao Cheng Shu, aged 54, was appointed an executive Director of the Company on 2 April 2009. He is also the deputy chairman of the Company. Mr. Zhao is an economist and a senior engineer and has extensive experience in management of sizeable enterprises in the PRC. He is a specialist in corporate management and an entrepreneur. He is also the Deputy President of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Technology Entrepreneur of Private Enterprise of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society" of Shanxi Province, "Role Model for Labour in Shanxi Province", "National Model for Labour ", "Medalist of Labour Day in Shanxi Province" "National Youth Spark Leader" and "National Township Entrepreneur" granted by Ministry of Science and Technology of PRC (國家科技部) etc. Mr. Zhao holds a Master degree in Enterprise Management specialising in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院) and obtained a Doctor of Business Administration from University of Management & Technology in the United States of America.

Mr. Ng Tze For, aged 56, was appointed an executive Director of the Company with effect from 11 September 2008. He is also a member of the executive committee of the Company and director of certain subsidiaries of the Company. He acted as an alternate director of a non-executive director of IRC Limited, whose shares are listed on the Stock Exchange, from June 2016 to January 2018. He was appointed as non-executive director of IRC Limited in January 2018. He has more than 30 years of experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree and obtained a Master Degree in Business Administration from City University of Hong Kong.

Mr. He Fengnian, aged 34, was appointed an executive Director and a member of each of the executive committee and nomination committee of the Company on 1 November 2017. Mr. He obtained a bachelor degree and master degree in Law from China University of Political Science and Law. He has over 6 years of experience in legal and compliance. Mr. He is currently the general manager of the risk management division in Huarong International. Mr. He had held senior positions and responsible for legal and compliance and risk management in Huarong Group. He worked in the compliance department and was an assistant to the general manager in Capital Securities Co. Limited before he joined Huarong Group in 2011. China Huarong Investment Management Limited, a subsidiary of Huarong International, is a substantial shareholder of the Company.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Cai Jianjun, aged 59, was appointed non-executive Director and President of the Company on 1 November 2017. He is also the managing director of Wulanchabu Integrated Logistics Park Company Limited ("Wulanchabu"), of which the Group has 40% equity interest. Before joining Wulanchabu, Mr. Cai was the chief executive of Titan Petrochemicals Group Limited for the year 2012, a president of Pan American Union Oil & Gas Inc. from 2006 to 2011, and had actively participated in several large-scale petrochemical projects in China. He was the general manager of Beijing China Post Heng Ren Investment Company Limited from 2004 to 2006 and was mainly responsible for restructuring and assessing non-core assets of China Post. He was the general manager of Shen Zhen Yi Heng Investment Company Ltd. from 1993 to 2003 and was responsible for financial investments for several large construction projects in China on ports, highways, city infrastructure together with water and gas utilities. He was also the head of Southern China Office (Shenzhen), Hua Zong Economic Development Centre. Mr. Cai has extensive experience in project investment and development. Mr. Cai graduated from the Wuhan University of Technology in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Choy So Yuk, ***BBS, JP***, aged 67, was appointed an independent non-executive Director of the Company on 5 June 2009. She is also a member of each of the audit committee, the nomination committee and the remuneration committee of the Company. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy holds a wide variety of political, social and academic positions, such as a deputy of the National People's Congress of China and a director of Fujian Middle School. Ms. Choy was a member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference and a member of the Legislative Council in Hong Kong from 1998 to 2008. Ms. Choy was an independent non-executive director of Blockchain Group Company Limited (formerly Ping Shan Tea Group Limited) from August 2002 to October 2017. Ms. Choy is an independent non-executive director of Evershine Group Holdings Limited since 12 May 2015.

Mr. Leung Yuen Wing, aged 50, was appointed an independent non-executive Director on 1 November 2012. He is also the chairman of the audit committee, a member of each of the remuneration committee and the nomination committee of the Company. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants. He had held managerial positions in various renowned accounting firms, an investment bank and enterprises including listed companies and had been an independent non-executive director of a company listed on the main board of the Stock Exchange for about 9 years to June 2013. Mr. Leung is currently the chief financial officer of a glass manufacturing company. Mr. Leung had been the company secretary and authorized representative of the Company, and he left the Group in February 2010.

Mr. Wu Zhao, aged 40, was appointed an independent non-executive Director of the Company on 16 June 2016. He is also a member of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Wu obtained a bachelor degree in Engineering (Chemical) from the University of Queensland, Australia. He also obtained a master of commerce in applied finance and a master of information technology from the University of Queensland, Australia. He has approximately 12 years of experience in finance, information technology, investment and funds management. He is currently a director of a funds management company and is also licensed to carry out Type 1 (Dealings in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). He is also an independent non-executive director of Royal Century Resources Holdings Limited (formerly Kate China Holdings Limited, stock code: 8125), a company listed on the Growth Enterprise Market of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Zhu Dengkai, aged 39, was appointed an independent non-executive Director of the Company with effect from 1 January 2017. He is also a member of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Zhu obtained a bachelor of laws degree in international law from Zhongnan University of Economic and Law in the PRC in 2000, a master of laws degree in European law from Université Paris1–Panthéon Sorbonne in France in 2004, and a master of laws degree in international law from the school of law of Renmin University of China in 2005. He has over 10 years of experience as a practicing lawyer and is a registered as a registered lawyer in the PRC. He was a practicing lawyer in King & Wood from April 2005 to August 2007 and in Jun He Law Offices from September 2007 to August 2010. Mr. Zhu is currently a senior partner in Zhonglun W&D Law Firm. He is also a member of China Lawyers Association and the contact person of a global lawyers union, INTERLAW, in Beijing, the deputy chairman and deputy editor of Taihe Global Institute and the chairman of Beijing Benevolent Foundation.

Mr. Liu Wei, aged 62, was appointed an independent non-executive Director and a member of the nomination committee of the Company on 1 November 2017, Mr. Liu obtained a bachelor degree in Computing Mathematics from Jilin University and a master degree in Applied Mathematics from Dalian Maritime University. He is currently a professor and tutor of doctoral students in Dalian Maritime University. Mr. Liu was the Dean of the Professional Degree Education College in Dalian Maritime University, Dean of the Advanced Research Institute of Transportation in Dalian Maritime University and Dean of Shenzhen Research Institute in Dalian Maritime University and mainly engaged in researches on Applied Mathematics, Management Science and Engineering. He has completed a number of scientific research projects at provincial and ministerial levels which are supported by the National Natural Science Foundation of China. His research works titled "Decision Support System for Enhancing Economic Benefits of Tianjin Port" and "Research on the Life Cycle of Port as Driving Economy" were awarded the Third Prize in Technology Advancement by the Ministry of Communications of Liaoning Province and the Third Price in Technology Advancement of Liaoning Province. Mr. Liu also took a leading role in completing the project titled "Arithmetic Methodology of Extenics Information and its Applications in the Logistics Information System" funded by the National Natural Science Foundation of China; he also led the charge in preparing for the technological projects under the Shenzhen Communications Bureau, including "Studies on the Indication System for Comprehensive Competitiveness Review of Shenzhen Port" and "The Thirteenth Five-Year Plan of Shandong High-Speed Logistics Group". Mr. Liu is currently the Officer of Academic Committee in Extenics of Chinese Association of Artificial Intelligence, a member of the Disciplines Evaluation Panel of the Degree Committee of Liaoning Province and the Head of the School of Applied Mathematics in Dalian Maritime University.

SENIOR MANAGEMENT

Mr. Kwok Kam Tim, aged 41, joined the Company in 2008 and is currently the chief financial officer of the Company. He was the company secretary and authorized representative of the Company from February 2010 to March 2013. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a Bachelor of Engineering degree from The Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from The Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 15 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Newtree Group Holdings Limited (stock code: 1323), the shares of which is listed on the main board of the Stock Exchange. He was also the independent non-executive director of Capital Finance Holdings Limited (stock code: 8239) during October 2009 to September 2015, and the independent non-executive director of Sky Forever Supply Chain Management Group Limited (stock code: 8047) from June 2014 to July 2014, both companies were listed on the growth enterprise market of the Stock Exchange.

Corporate Governance Report

For the year ended 31 December 2017

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2017.

A. CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group safeguard the interests of its shareholders and improve its performance.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the respective code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2017, except for the following deviations:

Code Provision A.2.1

Under code provision A.2.1, the role of chairman and chief executive should be separate and should not be performed by the same individual. On 1 January 2017, Mr. Geng Tao was appointed the chairman (the "Chairman") and the chief executive officer of the Company (the "CEO") and he resigned as the Chairman and the CEO on 25 May 2017. Ms. Gao Zhenyun was appointed the Chairman and the CEO on 7 June 2017 to fill the vacancy left after the resignation of Mr. Geng. Ms. Gao Zhenjun resigned as the Chairman and CEO on 6 September 2017. Mr. Ding Zhiyi was appointed the Chairman and the CEO with effect from 1 November 2017. The Board considers that vesting the roles of both chairman and chief executive officer in one person can facilitate the effective implementation and execution of its business strategies by and ensure a consistent leadership for the Group. Further, a balance of power and authority between the Board and the management can be ensured by the operation of the Board which currently comprises four executive Directors, one non-executive Director and five independent non-executive Directors ("INEDs"). The Company will from time to time review the structure and composition of the Board to ensure that a balance of power and authority between the Board and the management is appropriately maintained for the Group.

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 INEDs namely, Mr. Leung Yuen Wing and Ms. Choy So Yuk were not appointed for a specific term. However, all Directors are subject to the retirement provisions in accordance with the bye-laws of the Company (the "Bye-laws") 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

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 shareholders.

Mr. Zhu Dengkai (an INED and chairman of the remuneration committee of the Company (the "Remuneration Committee") was not in Hong Kong and had not attended the annual general meeting of the Company held on 30 June 2017 (the "2017 AGM"). Ms. Gao Zhenyun, the Chairman and the chairman of the nomination committee of the Company (the "Nomination Committee") at the time of the 2017 AGM, Mr. Leung Yuen Wing, the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Nomination committee and the Remuneration Committee and Ms. Choy So Yuk and Mr. Wu Zhao, both being a member of the Remuneration Committee, the Nomination Committee and Audit Committee, had attended the 2017 AGM and answered questions from the shareholders of the Company.

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 certain meetings, the board papers were not sent to all Directors 3 days before such meetings.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

C. BOARD OF DIRECTORS

The Board currently comprises four executive Directors, namely Mr. Ding Zhiyi (appointed on 1 November 2017 and also acts as the Chairman and the CEO), Mr. Zhao Cheng Shu (the deputy Chairman), Mr. Ng Tze For and Mr. He Fengnian (appointed on 1 November 2017); one none-executive Director, namely Mr. Cai Jianjun (appointed on 1 November 2017), and five INEDs, namely Ms. Choy So Yuk, Mr. Leung Yuen Wing. Mr. Wu Zhao, Mr. Zhu Dengkai (appointed on 1 January 2017) and Mr. Liu Wei (appointed on 1 November 2017). During the year, Mr. Geng Tao was appointed executive Director and the Chairman on 1 January 2017 and resigned on 25 May 2017, Mr. Han Binke was appointed executive Director on 1 January 2017 and resigned on 7 June 2017, Ms. Gao Zhenyun was appointed executive Director, the Chairman and CEO on 7 June 2017 and resigned on 6 September 2017.

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

Corporate Governance Report

For the year ended 31 December 2017

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

During the year, 17 Board meetings, 2 special general meeting and the 2017 AGM were held. The attendance records of individual Director are as follows:

Directors	Board Meetings No. of meetings attended/held	2017 AGM No. of meeting attended/held	SGM No. of meetings attended/held
Executive Directors			
Mr. Ding Zhiyi *(Chairman and CEO,* appointed on 1 November 2017)	2/3	0/0	1/1
Mr. Zhao Cheng Shu *(Deputy Chairman)*	16/17	0/1	1/2
Mr. Ng Tze For	17/17	1/1	2/2
Mr. He Fengnian (appointed on 1 November 2017)	1/3	0/0	0/1
Geng Tao (appointed on 1 January 2017 and resigned on 25 May 2017)	2/6	0/0	0/0
Han Binke (appointed on 1 January 2017 and resigned on 7 June 2017)	3/7	0/0	0/0
Gao Zhenyun (appointed on 7 June 2017 and resigned on 6 September 2017)	3/4	1/1	0/0
Non-executive Director			
Mr. Cai Jianjun (appointed on 1 November 2017)	2/3	0/0	1/1
Independent Non-executive Directors			
Ms. Choy So Yuk	16/17	1/1	1/2
Mr. Leung Yuen Wing	16/17	1/1	1/2
Mr. Wu Zhao	16/17	1/1	1/2
Mr. Zhu Dengkai (appointed on 1 January 2017)	17/17	0/1	0/2
Mr. Liu Wei (appointed on 1 November 2017)	3/3	0/0	0/1

Throughout the year ended 31 December 2017, the Company met at all times the requirements of the Listing Rules to have at least three INEDs representing at least one-third of the Board and with at least one INED possessing appropriate accounting and financial management expertise and professional qualifications.

The Company has received from its INEDs annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent.

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

Pursuant to code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

An induction would be given to the newly appointed Director(s) to provide information regarding the business and operation of the Company and as well as his responsibilities under the Listing Rules and relevant regulations.

During the year under review, the Company has arranged its lawyer to provide seminar in relation to directors' duties in the context of valuation in corporate transactions and amendments to Main Board Listing Rules and GEM Listing Rules to the Directors, all the existing Directors except Mr. Ding Zhiyi and Mr. Leung Yuen Wing had attended the seminar. The Company also engaged a compliance adviser to provide guidance and advices on compliance issues relating the Listing Rules to the Company and the Directors for two years from October 2015 to October 2017.The Company also provided reading materials to the Directors in relation to directors' duties and responsibilities and Uphold Corporate Governance to Fight Corporation. Mr. Leung Yuen Wing has attended other seminars/training courses relevant to his profession and duties as a director.

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

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer should be separated and performed by different individuals.

Mr. Geng Tao acted as the Chairman and the CEO for the period from 1 January 2017 to 25 May 2017 and Ms. Gao Zhenyun acted as the Chairman and CEO for the period from 7 June 2017 to 6 September 2017 and Mr. Ding Zhiyi was appointed the Chairman and CEO on 1 November 2017 to fill in the vacancy left after the resignation of Ms. Gao. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role. The chief executive officer is responsible for the day-to-day management and operation of the Group's business. The Board considers that vesting the roles of both Chairman and CEO in the same person can facilitate the effective implementation and execution of its business strategies by, ensure a consistent leadership for, the Group. Further, a balance of power and authority between the Board and the management can be ensured by the operation of the Board which comprises four executive Director, one non-executive Director and five INEDs. The Group will from time to time review the structure and composition of the Board to ensure that a balance of power and authority between the Board and the management is appropriately maintained for the Group.

E. NON-EXECUTIVE DIRECTORS

As mentioned in Paragraph A above, two INEDs namely Leung Yuen Wing and Ms. Choy So Yuk are not appointed for a specific term but are subject to the retirement provisions in the Bye-laws which provides that every Director (including the INEDs) shall be subject to retirement at least once every three years.

F. BOARD COMMITTEES

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

Executive Committee

The executive committee of the Company (the "Executive Committee") currently comprises three executive Directors, namely Mr. Ding Zhiyi (the chairman), Mr. He Fengnian and Mr. Ng Tze For. Mr. Geng Tao, Mr. Han Binke and Ms. Gao Zhenyun ceased to be a member of the Executive Committee after their resignation as Directors. The Executive Committee was established to assist the Board in execution of its duties and to facilitate effective management. It has a written terms of reference under which certain functions, including the daily operation and management functions have been delegated to it.

Remuneration Committee

The Remuneration Committee currently comprises four INEDs, namely Mr. Zhu Dengkai (as chairman), Ms. Choy So Yuk, Mr. Leung Yuen Wing and Mr. Wu Zhao. The terms of reference of the Remuneration Committee are available on the respective websites of the Company and the Stock Exchange.

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

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

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

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

The Group's remuneration policy has been formulated with reference to the market practice and the qualification, duties and responsibilities of Directors and employees. In order to attract, retain, and motivate personnel of the required quality to manage the Company successfully, the Company adopted a new share option scheme in 2017 upon the expiry of the old share option scheme adopted in 2007 to reward those eligible participants who contribute to the success of the Group's operations.

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

Committee Members	Number of meetings attended/held
Mr. Zhu Dengkai *(chairman, appointed on 1 January, 2017)*	3/3
Ms. Choy So Yuk	3/3
Mr. Leung Yuen Wing	2/3
Mr. Wu Zhao	3/3

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

Nomination Committee

The Nomination Committee currently comprises Mr. Ding Zhiyi, the Chairman, Mr. He Fengnain, an executive Director, and five INEDs, namely Ms. Choy So Yuk, Mr. Leung Yuen Wing, Mr. Wu Zhao, Mr. Zhu Dengkai and Mr. Liu Wei. Mr. Geng Tao, Mr. Han Binke and Ms. Gao Zhenyun ceased to become a member of the Nomination Committee following their resignation as directors of the Company during the year. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

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

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

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

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

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

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

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

Committee Members	Number of meetings attended/held
Mr. Ding Zhiyi *(chairman,* appointed on 1 November, 2017*)*	1/1
Mr. He Fengnian (appointed on 1 November, 2017)	0/1
Ms. Choy So Yuk	3/3
Mr. Leung Yuen Wing	2/3
Mr. Wu Zhao	2/3
Mr. Zhu Dengkai (appointed on 1 January 2017)	3/3
Mr. Liu Wei (appointed on 1 November 2017)	1/1
Mr. Geng Tao (acted as a member from 1 January to 25 May 2017)	0/0
Mr. Han Binke (acted as a member from 1 January to 7 June 2017)	0/1
Ms. Gao Zhenyun (acted as a member from 7 June to 6 September 2017)	0/0

In 2017, the Nomination Committee reviewed the structure, size and composition of and diversity (including the evaluation of skill, knowledge, cultural and education background, professional experience, age, gender and length of services of the Board members) of the Board and the Board Diversity Policy. The Nomination Committee considered the Board to possess a diversity of perspectives which is appropriate to the Group's requirement. The Nomination Committee also assessed the independence of INEDs, and discussed and recommended to the Board the appointment of executive Directors, non-executive Director and INED.

Board Diversity Policy

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

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

Audit Committee

The Audit Committee currently comprises four INEDs, namely Mr. Leung Yuen Wing (as chairman), Ms. Choy So Yuk, Mr. Wu Zhao and Mr. Zhu Dengkai, all being the INEDs. The chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules. The Audit Committee has a written terms of reference. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The major roles of the Audit Committee are as follows:

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

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

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

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

(v) review connected party transactions.

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

Committee Members	Number of meetings attended/held
Mr. Leung Yuen Wing *(chairman)*	3/3
Ms. Choy So Yuk	3/3
Mr. Wu Zhao	3/3
Mr. Zhu Dengkai (appointed on 1 January 2017)	3/3

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

The audited financial statements and the annual report of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee.

G. CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which include developing, reviewing and implementing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the shareholders' communication policy. During the year, the Board reviewed the Company's policies on corporate governance, the Board Diversity Policy, compliance with the CG Code, and disclosure in the corporate governance report.

H. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit services provided to the Company and its subsidiaries by the auditor of the Company amounted to HK$1,430,000 (2016: HK$1,200,000), and other non-audit service provided to the Company for the year 2017 amounted to 1,980,805 (2016: HK$325,000). The non-audit service for the year 2017 was in relation to the major transaction circular, review of interim results and provision of advisory services to the Group.

I. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2017, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis.

The Directors confirm that, having made all reasonable enquiries, that to the best of their knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

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

The Company changed its auditor to perform audit works for the year ended 31 December 2016. As additional time was required to provide to the new auditor to complete their audit procedures, the Company was not able to comply with the financial reporting provisions under the Listing Rules in announcing the annual results for the financial year ended 31 December 2016 on or before 31 March 2017 and dispatch the annual report for the year ended 31 December 2016 on or before 30 April 2017, Such delay constituted non-compliance with the Listing Rules by the Company during the year 2017.

J. RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects of the Group in order that the systems are practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The systems were considered effective and adequate to safeguard the interests of the shareholders' investment.

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

The internal audit function of the Group is governed by an appointed professional with Certified Internal Auditor qualification. With the appointment of Chief Audit Executive, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

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

K. COMPANY SECRETARY

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

L. SHAREHOLDERS' RIGHTS

Convening a general meeting

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

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

Putting enquiries to the Board

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

Putting forward proposal at general meeting

The shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to put forward proposals at an annual general meeting or special general meeting. The proposal must be made in writing and contain detail contact information and submit to the Company Secretary at the Company's principal place of business in Hong Kong. The procedure for putting forward proposals at general meeting is available on the website of the Company.

M. COMMUNICATION WITH SHAREHOLDERS

The Company acknowledges the importance of communicating with shareholders and investors. A shareholders' communication policy was adopted in March 2012. The primary communication channel between the Company and its shareholders is through the publication of announcements, circulars, interim and annual reports. These publications can be obtained from the Company's website.

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

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

N. INVESTOR RELATIONS

There was no change to the Company's Bye-laws during the financial year 2017. A copy of the latest Bye-laws are posted on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

REPORTING SCOPE

Silk Road Logistics Holdings Limited. ("Silk Road Logistics") is an investment holding company. Silk Road Logistics and its subsidiaries (the "Group") are principally engaged in commodity trading, oil exploration, refining, production and sales, logistics and warehousing business. In view of the rapid growth of the logistics industry in China, the Group began to expand its logistics and warehousing business in 2015 as well, which have become one of the major businesses of the Group. The Group's Tianjin Property Qian'an Logistics Co., Ltd. in Hebei which constitutes a major part of the Group's logistics and warehousing business is the reporting scope of this report. For readability enhancement, it is hereinafter referred to as the "Company".

This report was prepared in accordance with the provisions specified in the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and was compiled with the Company's data for the period from January 2017 to December 2017 (hereinafter referred to as the "Reporting Period") for environmental, social and governance annual reporting.

BASIS OF PREPARATION

The Company has a dedicated team in charge of the environmental and social aspect. This Report was compiled to disclose the relevant information according to the requirements of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange:

1. Materiality: This Report shall specify when relevant environmental, social and governance matters significantly impact investors and other related parties.

2. Quantitative: If key performance indicators (KPI) have been established, these indicators must be quantified and subjected to valid comparisons under appropriate conditions. All established indicators must explain their purpose and impact.

3. Balance: The Report must give an unbiased description of the Company's environmental, social and governance performance and avoid inappropriately misguiding readers or omitting important information.

4. Consistency: The Report uses a consistent data quantification methodology to allow for meaningful comparisons to be made over time. If there is any subsequent changes in methodology, it shall be indicated in the Report.

ABOUT THE COMPANY

The Company is committed to carrying out business operations in an environmentally responsible way and therefore, works to reduce environmental pollution, save energy, reduce emissions and places emphasis on recycling in the hope of contributing to environmental protection. At the same time, the Company strictly complies with national and regional environmental protection laws in the hope of substantially reducing pollution in its daily operations. The Company is principally engaged in commodity trading, oil exploration, refining, production and sales, logistics and warehousing, as well as property investment businesses.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

Environmental, social and governance issues require all stakeholders to work together to achieve a common goal. The Company's stakeholders comprise shareholders, employees, customers, collaborative parties responsible for warehouse management, and so on. Different means of communicating relevant information are used on an everyday basis in interworking with our stakeholders, including the use of telephone calls, e-mails and interviews. Shareholders can communicate with each other and the Company via shareholder's meetings. Shareholders can contact the Company by telephone if they have any enquiries. In general, the Company communicates with its employees through regular meetings, e-mail and face-to-face interview so as to know more about each other. In communicating with the customers, Silk Road Logistics has also a website containing the Group's information on top of everyday e-mail and telephone communication, to facilitate their understanding of and communication with the Group.

Information about the Group is published in the form of announcements on the Group's website. It includes financial information and reports, changes in the Board and the committees composition as well as other important information such as acquisitions, offer for sale, and so on. Financial summaries are regularly updated as well, allowing shareholders' access to relevant information at any time.

ENVIRONMENT

In recent years, the Chinese government has taken a proactive approach to promoting environmental protection, and placed emphasis on the control and prevention of pollution as well as improvement of environmental quality. In line with the national policy, the Company has implemented environmental initiatives in its business operations as outlined below:

Control and Management of Emissions

As the world economy and social development enter a "new normal pattern", environmental protection is very important to the sustainable development of the Group's business under the general trend in green development, recycling development and low-carbon development. Because of this, we monitor environmental management issues during the operation process and adopt a series of initiatives to reduce environmental impact so as to control the emission of exhaust gases and greenhouse gases as well as the discharge of sewage to water and land, and to reduce the generation of hazardous and non-hazardous waste to achieve our commitment to environmental protection.

We adopt the following methods for the control and management of emissions in our operations to effectively mitigate emissions:

- sorting and recycling of waste;
- saving of water;
- plan to phase out conventional diesel vehicles with electric vehicles; and
- encourage employees to travel by public transportation to reduce carbon emissions.

Emission Data Per Annum

Pollutants	Nitrogen oxides (NOx)	Sulfur oxides (SOx)	Particles (PM)
Gram	26,462	868	2,536

Total Greenhouse Gas Emissions

Emissions	Scope 1	Scope 2	Scope 3	Total	intensity (tonnes/ operating facilities)
Carbon dioxide equivalent (tonnes)	141.61	169.19	1.01	311.8	52.0

Notes:

Scope 1 includes emissions from mobile combustion; Scope 2 includes emissions from indirect energy; and Scope 3 includes emissions from waste paper disposal.

We classify waste into hazardous waste and non-hazardous waste in the first instance, and then pack them in garbage bags labelled as hazardous waste and non-hazardous waste. At last, we arrange professional company to collect and recycle the waste.

Total Waste Generation

	Hazardous waste	Non-hazardous waste
Tonnes	0	2.82
Intensity (tonnes/operating facilities)	0	0.47

During the Reporting Period, the Group complied with related environmental laws and regulations in Hong Kong and China in all major environmental aspects, including the emission of exhaust gases and greenhouse gases, discharge of sewage to water and land as well as hazardous and non-hazardous waste. We were not subject to any penalty for violation of any applicable laws and regulations.

Saving Resources

We established a "Policy for the Management of Energy Conservation and Consumption Reduction" to effectively save energy and avoid the unnecessary use of water, electricity and air-conditioning. We actively adopt effective energy-saving measures, making good use of water and electricity, and promoting the use of new energy-saving technologies in daily operations, which not only reduce the use of resources, but also cut relevant costs.

The following is a summary of relevant measures and results:

- The Company installs a ground source heat pump to use shallow geothermal resources on the surface of the earth as a source of heat and cold for energy conversion to heat the circulating water in the central air-conditioning system. With a small amount of electricity power, the ground source heat pump can achieve performance several times higher than conventional pumps, to reduce energy consumption effectively;
- in case of any problems with water, electricity or any leakage, employees must report to their department heads in time so as to carry out repairs as soon as possible to reduce energy wastage;
- turn off computers, office equipment and air-conditioners after work or leaving the workplace to reduce energy consumption; and
- buy electric appliances with energy-efficiency labels.

Total Energy Consumption

Electricity (thousand kWh)	Intensity (thousand kWh/operating facilities)
168.9	28.15

We give priority to the effective management of water resources for production and adopt various water-saving methods to ensure that water is used effectively. These measures include:

- an automatic flushing system is provided in washroom to reduce habitual water wastage; and
- advocate the use of residual water in procedures with non-hygienic requirements.

Total Water Consumption

Total (cubic metre)	Intensity (cubic metre/operating facilities)
3,770	628.3

Amount of Packaging Material Used in Finished Products

Material	Total (tonnes)
Paper	0.24
Metal	8.03

Environmental, Social and Governance Report

Environment and Natural Resources

To minimize the impact of the process of the daily operations on the environment and natural resources, the Company identifies the extent of impact of the emissions from the use of automotive fuels during the operational process, and the sources of waste on the environment, and applies different green management policies to addresses various important environmental factors. At the same time, the Company's energy policy shows that the Group practices energy conservation and supports the purchase of energy-saving equipment, which will reduce the emission of greenhouse gases due to energy consumption.

If employees of the Company need to take business trips, they will primarily take public transportation to reduce additional carbon emissions. If high-speed rail is available in a location, it will be the preferred means of transportation because it is fast and convenient, and is powered by electricity, which substantially reduces exhaust gas emissions from automotive fuel. As for the operations in Hong Kong, we hope to use more conference calls in lieu of business trips.

In terms of warehouse management, the Company has five warehouses, four of which are enclosed warehouses and one is an open-air warehouse. The open-air warehouse is used to store goods like steel materials, which have a low impact on the environment, while the enclosed warehouses are used for storing bulk goods. By carrying out continuous monitoring and control, no pollution is caused during the operational process to the land where the entire logistics warehouse park located.

EMPLOYMENT STANDARDS

Employee is an important asset of the Company, and a long-term relationship with employee forms an important part of the Company's effective operations. We have formulated a management policy on employees' remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination, salaries and benefits in accordance with the relevant laws and regulations in the place where we operate, and fully protect and respect employee rights. Moreover, we prohibit the use of child labour and the implementation of illegal or inhuman punitive measures against employees and prohibit forced labor. We have comprehensive measures in place to review employment practices covering child labour and forced labour, and once we identify any defective practices, we will eliminate them. During the Reporting Period, there were no reports of violations of the relevant employment laws and regulations or cases involving child labour and forced labour.

Recruitment Standards

According to mainland Chinese law, an employee can only be hired if he/she is at least 18 years old. An 8-hour work system is also stipulated, with a two-day rest period for every five working days, and forced overtime or forced retirement is prohibited. The Company has a well-established employee recruitment management method, the main principles of which are fair recruitment, equal competition, selection of the best candidates and the prioritisation of recruitment from internal employees to external one. The entire recruitment process is clearly specified, ranging from preliminary screening, first interview, second interview, review, employment, right up to reporting for work, probationary period to the transition to becoming an official employee, with the aim of making recruitment fair and just.

The Human Resources Department is a dedicated team for recruiting candidates for the Company. The department is responsible to devise, organize, and implement recruitment plans as well as evaluate talent. Candidates for senior positions are directly recruited by the general manager with assistance from the Human Resources Department. After a recruitment process is completed, the Human Resources Department undertakes review and collects opinions from applicants and new employees to assess if there is room for improvement in the recruitment process so as to continually improve the entire process.

It is our belief that having an outstanding team is a way to assure the long-term development of the Company, while "being people-oriented, having good intentions towards others, keeping abreast of the times as well as mutual growth and prosperity" is the belief for our Hong Kong's operations. This is why we view employees as an important asset and in light of this, the Company attracts employees by providing remuneration that is no lower than market levels, or that is even higher than market levels. In selecting new candidates and in cultivating outstanding and competent employees, we place emphasis on their mentality and stick to the selection and cultivation standards. Employees must work diligently, be dedicated to their work, be honest and upright in their conduct, have a sense of responsibility, be able to understand and respect each other, pay attention to teamwork, and keep a heart for learning and advancement.

Total Number of Employees as at 31 December 2017

	Total
Gender	
Male	10
Female	11
Type of employment	
Full time	21
Age group	
25 – 34	11
35 – 44	6
45 – 54	4
Region	
China	21

Employee Turnover Rate

	Percentage (%)
Gender	
Male	0
Female	3
Age group	
25 – 34	0
35 – 44	0
45 – 54	75
Region	
China	14.3

Moreover, in our Hong Kong's operations, we treat each job applicant and employee fairly, without any form of discrimination against age, gender, marital status, religion, nationality, disability, sexual orientation, etc. In assessing employees, their talents, qualifications, performance and mentality are used as bases for the assessment. During recruitment, we recruit competent people through a number of channels, including internal recommendation, internal promotion, work transfer or open recruitment. Of these, internal promotion is our preferred option because we hope to reduce employee turnover. In addition, we encourage employees to voice their opinions to the management about the Company and their superiors. Our Chief Executive Officer welcomes employees to meet with him directly to provide their opinions. During the Reporting Period, the Hong Kong Operation continuously complied with relevant employment regulations, and no disputes with any employee occurred.

Employee Promotion

The fact that employees are able to grow within the Company benefits both the employees and the Company. The Company has formulated a job promotion policy which is aimed to both encourage employees and build a fair, impartial and open promotion mechanism within the Company. Promotion is based on three key principles: (1) possession of integrity and ability with equal importance; (2) equal opportunity; and (3) the combination of career ladder promotion and "exceptional promotion".

The Company has various promotion schemes. Generally, promotion is based on the length of service. But besides this, work performance and level of commitment are also important criteria for evaluating promotion. The work performance of an employee is generally evaluated by his/her superior. In addition to the quarterly evaluation of the individual performance of employee, in order to strengthen solidarity within departments and boost initiative among employees, the Company also has quarterly evaluation of departmental performance, in which departments evaluate one another's performance, for which scoring methods are clearly specified and transparent. The best performing department in these quarterly evaluations will receive a "Quarterly Outstanding Department" red banner as an incentive. If a department is rated as the best performing department of the year, the Company will offer certain material rewards and, where appropriate, bonus incentives.

Employee Benefits

The Company not only provides subsidies for work-related training programmes but also sets up a staff scholarship scheme in order to encourage employees to continually add their own value and to build a high-quality team. Employees who have completed a college degree or above are eligible for a one-off scholarship as a Company's incentive for them to pursue learning in their spare time.

Full-time Employees Trained

	Percentage (%)
Gender	
Male	60
Female	0
Types of employee	
Middle management staff	100
General staff	25

Average Number of Completed Training Hours for Each Full-time Employee

	Hours
Gender	
Male	6
Female	0

The Hong Kong Operation constantly works to provide an environment which enables employees at the headquarters to achieve professional growth, benefits their career development and meets the long-term business needs of the Group. To this end, we constantly encourage employees to participate in continuing education. We provide them with study allowances to encourage them to attend training courses organized by professional institutions, to improve their professional skills and knowledge. We also organize training courses and provide reading material for Directors to help them fulfill their duties, allowing them as much access as possible to the latest and most comprehensive information concerning regulatory rules and corporate governance.

To make the employees work in a pleasant way, the Company provides pension, medical, maternity, unemployment and work-related injury insurance schemes in strict compliance with national laws and regulations concerning human resources, as well as annual leave, marriage leave, maternity leave and paternity leave. More benefits are introduced as well by distributing bonuses on a monthly basis rather than quarterly, as in the past, to boost morale.

The Company has formulated a detailed remuneration policy which comprises three types of bonus in addition to monthly salaries, namely monthly bonus, bi-annual bonus and year-end bonus. Salaries are also adjusted on the basis of the Company's and employees' performance during the year.

Remuneration for Hong Kong Head Office's employees comprises both basic salaries and year-end bonuses as well as medical and hospitalization insurance and travel insurance for some regions. In addition to statutory leave, employees are also provided with other paid leave (such as sick leave, marriage leave, bereavement leave, study leave, and so on).

OCCUPATIONAL HEALTH AND SAFETY

Ensuring the occupational health and safety of employees should be the top priority for every business, and provision of relevant personal protective tools is the most basic requirement. The Company provides raincoats, rain boots, safety helmets, insulating shoes, gloves, face masks, and so on. Workplace safety, safety of operating procedures and employee education on dealing with some of possible, unexpected accidents are a focus of attention. During the Reporting Period, the Company did not have any records of violations of laws and regulations relating to occupational health and safety, or complaints about such violations. The Company also formulates a relevant health and safety policy for the people who may enter or exit workplaces because of the characteristics of the logistics industry that the access right to the workplace is not only limited to the employees of the Company.

Workplace Safety

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

(i) restriction on access to certain areas;

(ii) speed limit on vehicles;

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

Owing to the nature of the business, loading and unloading is one of the main routine work procedures. The Company formulates a "Loading and Unloading Management Policy" so that employees understand how and why this important work procedure can be carried out safely depends upon the strict compliance of and cooperation from all employees.

Moreover, the safety and maintenance of lifting equipment also plays an important part. Hence, the Company formulates a "Policy for the Operation of Lifting Equipment"; the "Rules for the Operation, Maintenance Management and Safe Operation of Forklifts", and a "Policy for the Management of Safety of Gantry Cranes" to ensure work safety in daily operations.

The inspection of hoisting machinery at regular intervals is an important factor in ensuring that these machines can operate safely. Therefore, the Company arranges for testing institutions to inspect relevant machinery and equipment once every two years, with regular inspection and maintenance undertaken. Each inspection must be carried out according to the relevant operating manuals or documentation before the use of equipment. If equipment has not been used for a period of time, it can be used only after the safety of such equipment is confirmed. Personnel involved in the installation or maintenance of hoisting machinery must have relevant operating certificates before carrying out such work.

Forklifts are used regularly in the routine operations of the Company. As a result, the Rules for the Operation, Maintenance Management and Safe Operation of Forklifts was developed. Forklifts must be operated by specialist drivers, and items for everyday inspection and maintenance are all clearly specified in the official documents to ensure employees clearly understand what the requirements are. In addition, running routes and speed limits are also stipulated to avoid accidents as much as possible.

Gantry cranes are widely used by the Company. Since their operation is relatively complex, it is necessary for employees to receive specialist training, to do practices and receive technical and operational safety assessment before operating these cranes. Before operating these cranes, employees must complete the "Five Handover, Three Inspection" work process and strictly comply with the "Ten Do-Not Lift (Items)" principle.

Work-related Injury Statistics

	Results
Fatality	
Number of people	0
Percentage (%)	0
Work-related injury	
Number of working days lost	0

Safety and Emergency Response Plan

It is usually difficult to predict when accidents will occur. However, the Company hopes to educate its employees about the knowledge of safety and emergency response so that losses can be kept to a minimum when accidents occur.

Fire Drills

In addition to arranging fire drills for employees, the Company also invites other collaborative partners such as contractors to participate in these drills. The entire process is led by safety supervisors who explain and demonstrate the use of fire extinguishers and fire hoses. They also explain the reporting process when a fire accident occurs unfortunately.

Emergency Response Plan for Lifting Equipment

In order to prevent items falling from high altitude as well as the loss of control, toppling over and boom break of cranes during the use of lifting equipment, the Company formulates an Emergency Response Plan for Lifting Equipment, which upholds the guiding principles that "safety comes first, precaution is top priority" and that "priority is given to the protection of employee safety and the protection of the environment." The Company has formed a leading group for emergency response, which must immediately go to the scene of an accident, should an accident occur. Moreover, the preparation of first aid supplies, relevant training exercises, communication channels and division of work amongst staff are also important items of the emergency response plan.

Rectification Plan for Key Safety Aspects

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

(i) inspection of the safety of firefighting facilities;

(ii) inspection of the safety of the use of electricity;

(iii) inspection of the safety of special equipment;

(iv) inspection of transport safety.

SERVICE QUALITY

The Company endeavors to provide logistics and warehousing services that deliver goods to customers in a precise, punctual and safe manner. During the Reporting Period, the Group did not violate any laws or regulations due to health and safety incidents caused by major service problems, or receive any fines, product recall orders or other penalties from the Chinese government or other regulatory authorities, and the Group complied with all applicable laws or regulations in the places where the Group operates, regarding advertisement, labelling, privacy and remedy issues of products and services.

We improve our service quality continuously and respond to customer inquiries immediately. We set up a customer service channel whereby if there is a complaint, our salesman is required to give the customer an appropriate reply within a specified time. The Company enters into a confidentiality agreement with its employees to prevent leakage of customer information, which is being monitored by the Company on a regular basis.

	Results
Percentage of products recalled for health and safety reasons	0%
Number of complaints related to products and services received at the operational level	0

In terms of intellectual property rights, the Company will ensure that the operation process complies with the rules of the regulatory authorities concerning intellectual property, and this practice is being monitored on a regular basis.

The quality of services is closely related to the performance of contractors. In order to strengthen the management of contractors' personnel entering and leaving factory buildings, the Company establishes a "Policy for the Management of Contractors' Personnel" to ensure that contractors understand and conform to the Company's environmental and safety requirements before they begin work. In addition, the Company conducts a safety assessment of contractors on a trial basis, whereby contractors are engaged only if the assessment results meet the set criteria. After they are engaged, we also hope to conduct an evaluation method on a trial basis that those contractors with excellent scores in trial evaluations will be given priority in undertaking projects in future, while those with unsatisfactory evaluation scores will not be considered. For added transparency, evaluation content is detailed in the "Policy for Work Safety of Outsourced Projects". Moreover, regular meetings are convened with contractors so as to communicate relevant critical areas of environmental protection and safety.

Number of Suppliers as at 31 December 2017

Region	Number
China	11

Anti-corruption and anti-bribery are essential elements in creating a fair business environment. To this end, the Company formulates a policy for the management of anti-bribery for commercial activity specifically for the following employees:

(i) the management: the Company's management must be conversant with relevant Chinese anti-bribery of commercial activity and integrity policies in order to lead the Company's operating activities, strengthen supervision, and make improvements if loopholes are found;

(ii) the procurement and sales staff: in light of the nature of their work, the Company has been undertaking anti-corruption education and case discussion of a more thorough nature for its procurement and sales staff in order to strengthen their anti-corruption concept. In the procurement and sales processes, discounts must be clearly listed on the invoices, if circumstances allow;

(iii) the staff of the Accounts Department: they must develop a sense of integrity and know the seriousness of falsifying accounts; the Company's annual financial audit is one of the ways to monitor the relevant performance of the staff of the Accounts Department.

Whistleblowing plays a key role in the entire anti-corruption work. Therefore it is necessary to set up a whistle-blowing hotline and a whistle-blowing mailbox. A relevant management system is in place to maintain confidentiality of the whistle-blowers' identity, details of what they report and of investigation, and to collaborate with relevant departments in investigation. The Company believes that the General Manager must set an example in assuming responsibility for anti-bribery. The Anti-Bribery Accountability System for Commercial Activity specifies that in the event of a bribery case, the General Manager must be held liable for it to make the management more accountable.

During the Reporting Period, the Company complied with all the laws and regulations in the place where it operates, governing the prevention of bribery, extortion, fraud and money laundering. The Company or its employees were not subject to any prosecution or conviction related to acts of corruption.

COMMUNITY PARTICIPATION

Contributing to society and working jointly to build a better environment is one of the elements of corporate responsibility. Silk Road Logistics boosts community participation in community care, industry and safety, and will continue to mobilize its employees to support public welfare activities in Hong Kong and Mainland China as contributions to community development. During the year, we donated HK$7,200 to sponsor for the "Sending Warmth to the Elderly" project of St. James' Settlement. Following our support for last year's campaign, we also offered aids to this year's "Mooncakes for Charity", a campaign jointly organized by the Hong Kong Community Chest and Wing Wah. For each box of mooncakes sold, Wing Wah donated a certain amount of money to the Hong Kong Community Chest to subsidise its affiliated social welfare institutions, which was very meaningful. Moreover, we participated in the "Conference of the Council of Hebei Province Association of Modernistic Logistics", the "Production Safety Conference of Qian'an Production Safety Supervision Administration" and the "2017 Desktop Presentation on the Reconstruction of the Scenarios of Dangerous Chemicals Leakage and Explosion Accidents in Qian'an".

OUTLOOK

In the future, the Company will strive for victory while seeking stability by taking a proactive approach to developing different kinds of business with potential within an intensely competitive marketplace. This Report covers only Tianjin Property Qian'an Logistics which forms the major part of the Group's logistics and warehousing business. In the coming year, we hope that the reporting scope will be extended to cover more of the Group's other businesses so as to provide information for comparison and to make the Report more informative.

COMMENTS ON THE REPORT

Any comments regarding the Report or the environmental, social and governance aspects of the Company can be made by the following means. The Company values your opinions:

Address:	Unit B, 12th Floor Lippo Leighton Tower 103 Leighton Road Causeway Bay Hong Kong
Telephone:	852 2895 6733
Fax:	852 2895 6876
E-mail:	enquiry@srlhl.com

Report of the Directors

The directors of Silk Road Logistics Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

CHANGE OF COMPANY NAME

The shareholders of the Company have approved the change of name of the Company from "Loudong General Nice Resources (China) Holdings Limited 樓東俊安資源(中國)控股有限公司" to "Silk Road Logistics Holdings Limited 絲路物流控股有限公司" at the special general meeting on 22 December 2017. The Registry of Companies in Bermuda and the Registrar of Companies in Hong Kong registered the new name "Silk Road Logistics Holdings Limited 絲路物流控股有限公司" on 4 January 2018 and 8 February 2018 respectively. The stock short name of the Company for trading in the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") changed from "LOUDONG GN RES 樓東俊安資源" to "SILKROAD LOG 絲路物流控股" on 28 February 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 47 to the consolidated financial statements.

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

BUSINESS REVIEW

A review of the Group's business during the year and an indication of likely developments in the Group's business, as required by Schedule 5 to the Companies Ordinance, is provided in the section "Management Discussion and Analysis" on pages 5 to 8 and the "Chairman's Statement" sections of this report. The above sections form part of this Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

ENVIRONMENTAL POLICY AND PERFORMANCE AND THE COMPLIANCE OF LAWS AND REGULATIONS

The Group is committed to maintain an environmental friendly strategy by ways of minimizing pollution and wastage dispose to the environment, energy saving, low carbon emission, and emphasizing on recycling. The offices were aimed in minimizing the use of papers and consumables, and concentrated in the use of electronic media. The factories were restructured based on the national environmental policies for years, and continuing upgrade the factories to satisfy the latest governmental environmental requirements. Sufficient provision was made for the assets retirements in the oil companies to ensure a minimal damage to the environment. The Group is consistently reviewed the compliance on environmental policies in each location to ensure the compliance of relevant laws, rules and regulations, and consistently enhance our standard to increase our contribution to the environment.

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

Report of the Directors

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the Group's financial position at that date are set out in the consolidated financial statements on pages 53 to 149.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 151 to 152, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements, respectively. Further details of the Group's investment properties are set out on pages 98 to 102.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in note 31 to the consolidated financial statements on page 118.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital and the convertible bonds during the year are set out in notes 37 and 32 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 2017.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted approximately to HK$737,786,000 (2016: HK$465,967,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 34.06% (2016: 42.22%) of the total sales for the year and sales to the largest customer included therein amounted for 11.26% (2016: 18.30%). Purchases from the Group's five largest suppliers accounted for 66.04% (2016: 68.59%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 35.47% (2016: 55.27%).

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

Report of the Directors

DIRECTORS

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

Executive Directors:
Mr. Ding Zhiyi (appointed on 1 November 2017)
Mr. Zhao Cheng Shu
Mr. Ng Tze For
Mr. He Fengnian (appointed on 1 November 2017)
Mr. Geng Tao (appointed on 1 January 2017 and resigned on 25 May 2017)
Mr. Han Binke (appointed on 1 January 2017 and resigned on 7 June 2017)
Ms. Gao Zhenyun (appointed on 7 June 2017 and resigned on 6 September 2017)

Non-executive Director:
Mr. Cai Jianjun (appointed on 1 November 2017)

Independent Non-executive Directors:
Ms. Choy So Yuk
Mr. Leung Yuen Wing
Mr. Wu Zhao
Mr. Zhu Dengkai (appointed on 1 January 2017)
Mr. Liu Wei (appointed on 1 November 2017)

In accordance with Bye-laws, 87(1) and 87(2) of the Company's Bye-laws, Mr. Ng Tze For, Mr. Leung Yuen Wing, Mr. Zhu Dengkai and Mr. Wu Zhao will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company still considers all of its independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

The Group has appointed Tewoo Import and Export Trade Co., Limited ("Tewoo") to manage the operation of Tianjin Property Qian'an Logistics Company Limited 天津物產遷安物流有限公司 ("Qian'an"), a 70%-owned subsidiary of the Company for a term commencing from the date of completion of the acquisition of Qian'an by the Group to 31 December 2019. None of the Directors have interests, whether directly or indirectly, in the aforesaid management contract.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 11.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are recommended by the remuneration committee of the Company and determined by the Board with reference to Directors' duties, qualification, responsibilities and performance of the Directors, the results of the Group and the market practice.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and senior management of the Company is currently in force and was in force throughout the year. The Group has appropriately purchased directors and officers liability insurance for years to minimize the risks of Directors and senior management for the performance of their corporate duties.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 46 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The Group have entered into the following connected transaction and continuing connected transaction and disclosed in the announcements of the Company:

(1) Convertible Bonds

On 18 May 2015, the Group entered into a subscription agreement (the "CBI Subscription Agreement") with China Huarong International Holdings Limited ("China Huarong") for the issue of a three-year convertible bonds in an aggregate principal amount of HK$400,000,000 (the "CBI") to China Huarong. The CBI carries interest at rate of 6% per annum payable yearly and is convertible into shares of the Company at an initial conversion price of HK$0.331 per conversion share. Prior to the completion of the subscription, China Huarong has novated all its rights and obligations under the CBI Subscription Agreement to its wholly-owned subsidiary, China Huarong Investment Management Limited ("Huarong Investment"). As security of the CBI, General Nice Resources (Hong Kong) Limited ("GNR"), a substantial shareholder of the Company at the date of the CBI Subscription Agreement, charged its 319,100,000 shares of the Company in favour of Huarong Investment under a share charge, and Mr. Cai Sui Xin ("Mr. Cai") provided a personal guarantee to guarantee in favour of Huarong Investment the performance of the obligations by the Company under the CBI Subscription Agreement. At the date of the CBI Subscription Agreement, Mr. Cai was the chairman and executive Director of the Company and GNR and had corporate interest in the shares of the Company through GNR, Mr. Lau Yu was the director and the chief executive officer of the Company and GNR. Both Mr. Cai and Mr. Lau Yu resigned as Director with effect from 1 January 2017. The proceeds of HK$400,000,000 was to fulfilling the general working capital requirement of the Group and the funding requirement for the potential acquisition of companies principally engaged in logistics and operation of warehouse businesses located in the PRC.

On 18 May 2015, GNR and China Huarong entered into a subscription agreement (the "EB Subscription Agreement") for the issue of a 3-year exchangeable bonds in the aggregate principal amount of HK$100,000,000 with a coupon rate of 6% per annum payable yearly and an initial exchange price of HK$0.331 per share. Upon full exercise of the exchangeable bonds, a total of 302,114,803 shares of the Company would be transferred from GNR to China Huarong (or a group company of China Huarong). Mr. Cai has provided a personal guarantee in favour of Huarong Investment for the performance of the obligations of GNR under the EB Subscription Agreement.

As China Huarong has entered into the CBI Subscription Agreement with the Company and in addition, entered into the EB Subscription Agreement with GNR, China Huarong was a deemed connected person of the Company and the issue of the CBI constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll. The CBI Subscription Agreement had been approved by the independent shareholder of the Company at the special general meeting held on 4 July 2015 and was completed on 19 August 2015. The conversion price of CBI was adjusted from HK$0.331 per Share to HK$0.29 per Share subsequent to the issue of a HK$300,000,000 convertible bonds by the Company and further adjusted to HK$0.287 per Share subsequent to completion of placing of 318,165,000 new Shares in November 2016. On 28 September 2017, Huarong Investment exercised its right to covert the CBI, and 1,393,728,222 Shares were allotted and issued.

(2) Supply Agreement and Purchase Agreement

(a) On 31 August 2016, Qian'an, a 70% owned subsidiary of the Company, entered into a supply agreement (the "Supply Agreement") with Hebei Baoli Huifeng Shiye Group Company Limited 河北寶利滙豐實業集團有限公司 ("Baoli"), the shareholder holding 30% interest of Qian'an and an associate of Mr. Zhao Wen Bao, who is a substantial shareholder of Baoli and a director of each of Baoli and Qian'an, for a term of three years commencing from 31 August 2016 and ending on the day preceding the third anniversary of the Supply Agreement. Pursuant to the Supply Agreement, Baoli and its subsidiaries or associates may from time to time during the term of the Supply Agreement purchase coal, coke and iron ores from Qian'an and its subsidiaries or associates by placing purchase orders in accordance with the terms and conditions of the Supply Agreement. The price shall be determined through arm's length negotiations between the supplier and the purchaser by reference to the prevailing market price of the goods, and no less favorable than that provided to independent third parties.

Baoli is a connected person of the Company at the subsidiary level, the transactions contemplated under the Supply Agreement constituted continuing connected transaction for the Company under the Listing Rules.

The expected maximum aggregate annual value for the transactions contemplated under the Supply Agreement ("CCTI") for the year ended 31 December 2017 is RMB365,000,000, and for the year ending 31 December 2018 and 2019 is RMB418,000,000 and RMB366,000,000 respectively and the actual aggregate value during the year is approximately RMB nil.

Further details of the Supply Agreement have been disclosed in the Company's announcement dated 31 August 2016 ("CCTI Announcement").

(b) On 26 October 2017, Qian'an entered into a purchase agreement (the "Purchase Agreement") with Baoli for a term commencing from the date of the purchase agreement and ending on 30 August 2019 pursuant to which the Group may from time to time during the term of the Purchase Agreement purchase coal, coke and iron ores from Baoli and its subsidiaries by placing purchase orders and the price shall be determined through arm's length negotiation between the purchaser and supplier by reference to the prevailing market prices, and no less favourable than that provided to independent third parties.

Baoli is a connected person of the Company at the subsidiary level, the transactions contemplated under the Purchase Agreement constituted continuing connected transaction for the Company under the Listing Rules.

The expected maximum aggregate annual value for the transactions contemplated under the Purchase Agreement for the year ended 31 December 2017 ("CCTII") is RMB265 million, and for the year ending 31 December 2018 and 2019 is RMB649 million and RMB545 million respectively and the actual aggregate value during the year is nil.

Further details of the Purchase Agreement have been disclosed in the Company's announcement dated 26 October 2017 ("CCTII Announcement").

The CCTI and CCTII have been reviewed by the Company's independent non-executive Directors who have confirmed that the transactions have been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms; and

c) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have provided a confirmation in accordance with the relevant provisions of the Listing Rules applicable to the CCTI and CCTII for the year ended 31 December 2017 and confirming that nothing has come to their attention that causes them to believe that the CCTI and CCTII for the year ended 31 December 2017:

a) have not been approved by the Board;

b) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of services by the Group;

c) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

d) have exceeded the annual cap as disclosed in the CCTI Announcement and the CCTII Announcement.

RELATED PARTY TRANSACTION

A summary of the related party transactions entered into by the Group during the year ended 31 December 2017 is contained in note 46 to the consolidated financial statements. Save and except the connected transactions/containing connected transactions disclosed above, the related party transactions did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2017, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

	Long and short position in the shares and underlying shares of the Company			
Name of Director	Number of ordinary shares	Nature of Interests	Total	Approximate percentage of the issued share capital
Mr. Zhao Cheng Shu	5,438,150(L)	Personal interests	5,438,150(L)	0.10%
Ms. Choy So Yuk	271,908(L)	Personal interests	271,908(L)	0.01%
Mr. Leung Yuen Wing	224,213(L)	Personal interests	224,213(L)	0.01%
Mr. Cai Jianjun	10,000,000(L)	Family interests	10,000,000(L)	0.18%

L – Long position
S – Short position

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests of Directors and chief executive" and "Share option scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

SHARE OPTION SCHEME

The Company's share option scheme adopted on 25 June 2007 (the "Old Scheme") was lapsed on 25 June 2017. Subsequent to the lapse of the Old Scheme, the Company adopted a new share option scheme on 30 June 2017 (the "New Scheme") for the purpose of providing incentives to Participants (as defined in the New Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

Details of the New Scheme are set out in note 38 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 31 December 2017, 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**
China Huarong International Holdings Limited ("China Huarong")	Interest of controlled corporation	Corporate interests	2,005,843,025(L) (Note 1)	35.17%
Xinya Global Limited 新亞環球有限公司	Beneficial owner	Corporate interests	1,194,675,732(L) (Note 2)	20.95%

Name	Capacity	Nature of Interest	Long and short positions in the shares/ underlying shares of the Company No. of shares/ underlying shares	Approximate percentage of the issued share capital
Tewoo Import & Export (HK) Limited	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
Tianjin Tian Yuen Investment Limited* 天津天源投資有限公司	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
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	1,194,675,732(L) (Note 2)	20.95%
Tewoo Group (Hong Kong) Limited	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
Tewoo Group Co., Ltd.* 天津物產集團有限公司	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
Tianjin Guo Xiang Asset Management Limited* 天津國翔資產管理有限公司	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
Tianjin Guo Xing Asset Operation Limited* 天津國興資本運營有限公司	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
Tianjin Yi Qing Asset Management Limited 天津一輕資產經營管理有限公司	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
Tianjin Yi Qing Group Holdings Limited 天津市一輕集團(控股)有限公司	Interest of controlled corporation	Corporate interests	1,194,675,732(L) (Note 2)	20.95%

Report of the Directors

Notes:

1. China Huarong Investment Management Limited is interested in 2,005,843,025 shares (which comprises 1,393,728,222 shares held, 302,114,803 shares may be transferred from General Nice Resources (Hong Kong) Limited to it upon exercise of the conversion rights attached to the convertible instrument and security interest in 310,000,000 shares). China Huarong owns 100% of China Huarong Investment Management Limited and is deemed to be interested in the shares held by China Huarong Investment Management Limited, China Huarong International Holdings Limited is owned as to 88.1% by Huarong Real Estate Co., Ltd. and as to 11.9% by Huarong Zhiyuan Investment & Management Co., Ltd. Each of Huarong Real Estate Co., Ltd. and Huarong Zhiyuan Investment & Management Co., Ltd. is wholly-owned by China Huarong Asset Management Co., Ltd. which is owned as to 63.36% by Ministry of Finance of the People's Republic of China.

2. These interests comprise 388,224,120 issued shares of the Company beneficially owned by Xinya Global Limited and 806,451,612 underlying shares which may be allotted and issued to Xinya Global Limited upon full exercise of the conversion rights attaching to the convertible bonds with the principal amount of HK$300,000,000 at a conversion price of HK$0.372 per share (as adjusted). Xinya Global Limited is wholly owned by Tewoo Import & Export (HK) Limited. Tweoo 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 24.64% by Tianjin Tian Yuen Investment Limited and 75.36% by Tewoo Group Co., Limited. Tianjin Tian Yuen Investment Limited is wholly owned by Tiajin Guo Xiang Asset Management Limited. Each of Tianjin Yi Qing Asset Management Limited and Tianjin Guo Xing Asset Operation Limited owns 50% of Tianjin Guo Xiang Asset Management Limited. Tianjin Yi Qing Asset Management Limited is wholly owned by Tianjin Yi Qing Group (Holdings) Limited. Tewoo Group (Hong Kong) Limited is wholly owned by Tewoo Group Co., Limited. Each of Tewoo Import & Export (HK) Limited, Tewoo Import And Export Trade Co., Limited, Tewoo Group (Hong Kong) Limited, Tewoo Group Co., Limited, Tianjin Tian Yuen Investment Limited, Tianjin Guo Xiang Asset Management Limited, Tianjin Yi Qing Asset Management Limited, Tianjin Yi Qing Group (Holdings) Limited and Tianjin Guo Xing Asset Operation Limited reported that they are deemed to be interested in the shares held by Xinya Global Limited.

Save as disclosed above, the Directors are not aware of any other persons who, at 31 December 2017, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 22 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events of the Group after the reporting period and set out in note 52 to the consolidated financial statements.

AUDITORS

On 29 December 2016, the Board appointed CCTH CPA Limited as auditors of the Company to fill the casual vacancy caused by the resignation of Ascenda Cachet CPA Limited until the conclusion of the 2017 annual general meeting. CCTH CPA Limited was re-appointed as auditors of the Company at the 2017 AGM on 30 June, 2017. Save for the above, there were no other changes in the Company's auditors in the past three years.

A resolution for the reappointment of CCTH CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Ding Zhiyi
Chairman and Chief Executive Officer

Hong Kong
26 March 2018

Independent Auditors' Report

CCTH CPA LIMITED
中正天恒會計師有限公司

To the shareholders of Silk Road Logistics Holdings Limited
(Formerly known as Loudong General Nice Resources (China) Holdings Limited)
(Incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Silk Road Logistics Holdings Limited and its subsidiaries (the "Group") set out on pages 53 to 149, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2017 and of its consolidated financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2017, the Group's current liabilities exceed its current assets by HK$192,089,000. As at 31 December 2017, the Group had convertible bonds with principal amounts of HK$300,000,000 to be matured within one year after that date (carrying amount of HK$289,553,000) which are included in current liabilities.

The conditions set out in Note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. Our opinion is not modified in respect of this matter.

Independent Auditors' Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of prepayments, deposits and other receivables

Refer to note 25 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amounts of the Group's deposits for purchase of goods and other receivables, which are included in prepayments, deposits and other receivables, are HK$865,981,000 and HK$101,266,000 respectively. Recoverability of deposits paid for purchase of goods and other receivables involved management judgment in assessing the impairment losses of such deposits and receivables. Completion of the purchase of goods and the ability of the debtors to repay the Group depend on customer-specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of deposits for purchase of goods and other receivables as a key audit matter due to the magnitude of the deposits and receivables and the estimation and judgments involved in the determination of their recoverable amounts.	Our procedures in relation to management's impairment assessment on prepayments, deposits and other receivables included: – We obtained an understanding of the Group's processes and controls relating to monitoring of recoverability of the deposits paid for purchase of goods and other receivables and identifying any impairment indicators. – We assessed the classification and accuracy of individual deposits and receivables by testing relevant corroborative evidence on a sample basis. – We assessed subsequent purchase of goods and settlement of receivable balances. Where purchase of goods had not made and/or settlement of receivables had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the deposits and receivables and evaluate any impairment losses which are required to be made.

KEY AUDIT MATTERS (continued)

Impairment assessment of goodwill

Refer to note 21 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amount of the goodwill of the Group is HK$110,828,000. Impairment loss amounted to approximately HK$85,908,000 has been recognised for the current year on the goodwill. We focused on the impairment assessment of the goodwill as the magnitude of this goodwill is significant and assessment of the value in use of the relevant cash-generating units ("CGUs") involves management's judgments and estimates about the future results of these related businesses, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.	Our procedures in relation to management's impairment assessment on the goodwill included: – We evaluated and challenged the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation. – We challenged the key assumptions including revenue growth rate, gross profit margin and long-term growth rate by comparing the current year's actual results with future plans. We considered the appropriateness of the discount rates adopted by management. – We have also considered the adequacy of the disclosure of impairment assessments of the goodwill set out in note 21 to the consolidated financial statements.

Impairment assessment for interests in associates

Refer to note 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amount of the Group's interests in associate is HK$936,749,000. Management conducted impairment assessment of the interests in associates on value in use basis and concluded that no impairment loss was recognised in respect of the current year. We focused on the impairment assessment of the Group's interests in associates as the magnitude of the interests in associates is significant and management assessment of the value in use involves judgments and estimates about the future results of the investments, key assumptions including revenue growth rate and gross profit margin and the discount rates applied to future cash flow forecast.	Our procedures in relation to management's impairment assessment on interests in associates included: – We evaluated and challenged the composition of the associates' future cash flow forecasts, and the process by which they were drawn up, including testing the underlying value in use calculation. – We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with future plans. We considered the appropriateness of the discount rates adopted by management.

KEY AUDIT MATTERS (continued)

Disposal of subsidiaries

Refer to note 41 to the consolidated financial statements.

Key audit matter

During the year, the Group disposed of its subsidiaries and the gain of disposal of subsidiaries amounted to HK$897,065,000 was recognised in respect of the current year.

We identified the recognition of gain of disposal of subsidiaries as a key audit matter because of its significance to the Group's consolidated financial statements for the year.

How the matter was addressed in our audit

Our procedures in relation to disposal of subsidiaries included:

– We obtained an understanding of the basis adopted for the calculation of the gain on disposal of the subsidiaries.

– We reviewed the agreements for the disposal of subsidiaries and other relevant documentation to ascertain the reasonableness of the sale consideration and any contingent liabilities arising on the disposal.

– We checked the management accounts of the subsidiaries and related documents to ascertain the reasonableness of the assets and liabilities of the subsidiaries as at the date of disposal.

– We assessed the adequacy and appropriateness of the information relating to the disposal of subsidiaries disclosed in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2018

Kwong Tin Lap
Practising certificate number: P01953

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza
1 Science Museum Road, Tsim Sha Tsui
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (restated)
Continuing operations			
REVENUE	7	**3,090,306**	2,561,245
Cost of sales and services		**(2,899,156)**	(2,504,340)
Gross profit		**191,150**	56,905
Other income and gains	7	**19,144**	34,865
Selling and distribution expenses		**(29)**	(122)
Administrative expenses		**(48,923)**	(40,218)
Impairment of goodwill	21	**(85,908)**	(29,238)
Impairment of oil properties	22	**(38,934)**	(13,614)
Impairment of trade receivables	24	**(235)**	(9,146)
Impairment of prepayments, deposits and other receivables	25	**–**	(2,876)
Share of loss of associates	19	**(1,909)**	(1,452)
Finance costs	8	**(64,107)**	(70,649)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	9	**(29,751)**	(75,545)
Income tax expense	12	**(44,516)**	(9,475)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(74,267)**	(85,020)
Discontinued operations			
Net gain (loss) for the period from discontinued operations	13	**753,956**	(617,755)
PROFIT (LOSS) FOR THE YEAR		**679,689**	(702,775)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(24,055)**	21,533
Reclassification adjustments relating to foreign operations disposed of during the year		**(79,162)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(103,217)**	21,533

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (restated)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**576,472**	(681,242)
Loss for the year from continuing operations attributable to:			
Owners of the Company		**(91,336)**	(95,352)
Non-controlling interests		**17,069**	10,332
		(74,267)	(85,020)
Profit (loss) for the year attributable to:			
Owners of the Company		**670,520**	(679,007)
Non-controlling interests		**9,169**	(23,768)
		679,689	(702,775)
Total comprehensive income attributable to:			
Owners of the Company		**565,290**	(658,076)
Non-controlling interests		**11,182**	(23,166)
		576,472	(681,242)

	Notes	2017 HK$	2016 HK$ (restated)
EARNINGS (LOSS) PER SHARE	15		
For continuing operations			
– Basic		**(0.02)**	(0.02)
– Diluted		**N/A**	N/A
For continuing and discontinued operations			
– Basic		**0.14**	(0.17)
– Diluted		**0.11**	N/A

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**222,871**	295,931
Investment property	17	**–**	16,080
Prepaid land lease payments	18	**55,390**	76,028
Interests in associates	19	**936,749**	938,367
Available-for-sale investments	20	**–**	7,063
Goodwill	21	**110,828**	196,736
Oil properties	22	**179,296**	215,802
Total non-current assets		**1,505,134**	1,746,007
CURRENT ASSETS			
Inventories	23	**1,409**	142,820
Prepaid land lease payments	18	**1,282**	2,261
Trade and bills receivables	24	**208,157**	1,430,867
Prepayments, deposits and other receivables	25	**970,108**	1,625,508
Equity investments at fair value through profit or loss	26	**–**	558
Amounts due from related companies	46(b)	**–**	46,305
Income tax recoverable		**–**	88
Pledged bank deposits	27	**–**	19,307
Cash and cash equivalents	27	**18,663**	77,828
		1,199,619	3,345,542
Asset classified as held for sale	28	**20,292**	–
Total current assets		**1,219,911**	3,345,542
CURRENT LIABILITIES			
Trade payables	29	**28,417**	659,838
Other payables and accruals	30	**888,574**	1,096,577
Bank and other borrowings	31	**144,551**	1,876,609
Convertible bonds	32	**289,553**	–
Promissory notes payable	33	**52,000**	48,715
Obligations under finance leases	34	**85**	–
Amounts due to related companies	46(b)	**–**	16,753
Income tax payable		**7,019**	428,740
		1,410,199	4,127,232
Liability directly associated with asset classified as held for sale	28	**1,801**	–
Total current liabilities		**1,412,000**	4,127,232
NET CURRENT LIABILITIES		**(192,089)**	(781,690)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,313,045**	964,317

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	34	**283**	–
Loans from related companies	46(b)	**–**	817
Assets retirement obligations	35	**11,393**	12,063
Convertible bonds	32	**–**	657,947
Deferred tax liabilities	36	**62,332**	88,609
Total non-current liabilities		**74,008**	759,436
Net assets		**1,239,037**	204,881
EQUITY			
Share capital	37	**57,036**	43,099
Reserves		**1,101,115**	160,375
Equity attributable to owners of the Company		**1,158,151**	203,474
Non-controlling interests		**80,886**	1,407
Total equity		**1,239,037**	204,881

The consolidated financial statements on pages 53 to 149 were approved and authorised for issue by the board of Directors on 26 March 2018 and are signed on its behalf by:

Ding Zhiyi
Director

Ng Tze For
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 37)	Share premium account HK$'000 (Note 37)	Share option reserve HK$'000 (Note 39(a))	Equity component of convertible bonds HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000 (Note 39(b))	Contributed surplus HK$'000 (Note 39(c))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	34,292	564,700	1,941	66,356	107,240	688,569	773,090	(1,903,471)	332,717	(31,213)	301,504
Loss for the year	–	–	–	–	–	–	–	(679,007)	(679,007)	(23,768)	(702,775)
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	–	–	–	–	20,931	–	–	–	20,931	602	21,533
Total comprehensive income for the year	–	–	–	–	20,931	–	–	(679,007)	(658,076)	(23,166)	(681,242)
Shares issued as consideration for acquisition of associates	5,625	376,875	–	–	–	–	–	–	382,500	–	382,500
Issue of shares upon share placing	3,182	143,174	–	–	–	–	–	–	146,356	–	146,356
Share issue expenses	–	(2,240)	–	–	–	–	–	–	(2,240)	–	(2,240)
Increase in non-controlling interests from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	55,786	55,786
Share of reserve of an associate	–	–	2,217	–	–	–	–	–	2,217	–	2,217
As 31 December 2016 and 1 January 2017	**43,099**	**1,082,509**	**4,158**	**66,356**	**128,171**	**688,569**	**773,090**	**(2,582,478)**	**203,474**	**1,407**	**204,881**
Profit for the year	–	–	–	–	–	–	–	670,520	670,520	9,169	679,689
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	–	–	–	–	(105,230)	–	–	–	(105,230)	2,013	(103,217)
Total comprehensive income for the year	–	–	–	–	(105,230)	–	–	670,520	565,290	11,182	576,472
Issue of shares upon conversion of convertible bonds	13,937	409,588	–	(34,923)	–	–	–	–	388,602	–	388,602
Shares options lapsed	–	–	(1,439)	–	–	–	–	1,439	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	68,297	68,297
Transfer to accumulated losses on disposal of subsidiaries	–	–	–	–	–	(527,867)	–	527,867	–	–	–
Transfer from accumulated losses to capital reserve	–	–	–	–	–	15,404	–	(15,404)	–	–	–
Share of reserve of an associate	–	–	785	–	–	–	–	–	785	–	785
At 31 December 2017	**57,036**	**1,492,097**	**3,504**	**31,433**	**22,941**	**176,106**	**773,090**	**(1,398,056)**	**1,158,151**	**80,886**	**1,239,037**

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year		**679,689**	(702,775)
Adjustments for:			
Income tax expense	12	**122,818**	61,497
Share of loss of associates		**1,909**	1,452
Finance costs		**136,094**	193,086
Impairment of property, plant and equipment		**–**	30,931
Impairment of goodwill		**85,908**	29,238
Impairment of oil properties		**38,934**	13,614
Impairment of trade receivables		**1,074**	355,866
Impairment of prepayments, deposits and other receivables		**47,619**	113,931
Depreciation of property, plant and equipment		**26,025**	59,482
Accretion expenses – oil properties		**772**	733
Amortisation of prepaid land lease payments		**2,161**	1,646
Amortisation of oil properties		**2,232**	3,619
Reversal of write-down of inventories		**(6,886)**	–
Interest income		**(157)**	(86)
Gain on disposal of subsidiaries	41	**(897,065)**	–
Gain on disposal of property, plant and equipment		**(226)**	(1,951)
Gain on change in fair value of an investment property		**(4,212)**	(3,073)
Reimbursement of depreciation charge		**(6,327)**	(6,121)
Reversal of impairment of amount due from associates		**–**	(26,555)
Reversal of impairment of trade receivables		**(14,056)**	(343)
Net foreign exchange gains		**5,531**	(4,939)
		221,837	119,252
Increase in inventories		**(41,016)**	(96,292)
Decrease (increase) in trade and bills receivables		**384,634**	(678,275)
Increase in prepayments, deposits and other receivables		**(223,123)**	(22,493)
Decrease in net amounts due from related companies		**29,552**	–
Decrease in trade and bills payables		**(492,849)**	(51,876)
Increase in other payables and accruals		**123,378**	729,891
Utilisation of assets retirement obligations	35	**(1,529)**	(859)
Cash generated by (used in) operations		**884**	(652)
Income tax paid		**(71,917)**	(10,270)
Net cash used in operating activities		**(71,033)**	(10,922)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**157**	86
Purchase of property, plant and equipment		**(16,789)**	(7,837)
Proceed from disposal of property, plant and equipment		**226**	–
Additions of prepaid land lease payments		**(6,115)**	–
Additions of oil properties		**(3,076)**	(1,498)
Acquisition of subsidiaries	40(b)	**–**	(240,364)
Disposal of subsidiaries	41	**6,990**	–
Acquisition of an associate		**–**	(190,000)
Refund of acquisition consideration for an associate overpaid		**–**	3,731
(Increase) decrease in pledged bank deposits		**(1,234)**	14,233
Deposit received from disposal of a subsidiary		**13,808**	–
Deposit for acquisition of a subsidiary refunded (paid)		**18,740**	(18,740)
Net cash generated by (used in) investing activities		**12,707**	(440,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(42,811)**	(61,898)
Proceeds from issue of shares, net of expenses		**–**	144,116
New bank and other borrowings		**241,733**	427,105
Repayment of banks and other borrowings		**(211,586)**	(427,805)
Repayment of finance leases		**(62)**	–
Redemption of promissory notes		**–**	(3,100)
Net cash (used in) generated by financing activities		**(12,726)**	78,418
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(71,052)**	(372,893)
Cash and cash equivalents at beginning of the year		**75,293**	449,159
Effect of foreign exchange rate changes, net		**1,455**	(973)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**5,696**	75,293
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	27	**18,663**	77,828
Bank overdrafts	31	**(12,967)**	(2,535)
		5,696	75,293

Notes to Consolidated Financial Statements

31 December 2017

1 GENERAL

Silk Road Logistics Holdings Limited (the "Company", formerly known as Loudong General Nice Resources (China) Holdings Limited) 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 Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

Pursuant to the special resolution passed at the special general meeting of the Company held on 22 December 2017, the shareholders of the company have approved the change of the Company's name from Loudong General Nice Resources (China) Holdings Limited to Silk Road Logistics Holdings Limited and the new name was registered in the Registry of Companies in Bermuda on 4 January 2018.

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

As referred to in note 13, the Company entered into an agreement for the disposal of its 100% equity interests in Buddies Power Enterprises Limited ("Buddies Power") and its subsidiaries (collectively the "Buddies Power Group") on 26 June 2017. Completion of the disposal of Buddies Power Group took place on 29 September 2017 and the Group discontinued its operations of coal processing and production of metallurgical coke and by-products (the "Discontinued Operations") undertaken by Buddies Power Group as from that date. The results of the Discontinued Operations for the current year are separately presented in the consolidated statement of profit or loss and other comprehensive income. Certain comparative amounts of the corresponding prior year have been restated to conform with the current year's presentation.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in the light of the fact that the Group's current liabilities exceed its current assets by HK$192,089,000. As at 31 December 2017, the Group had convertible bonds with principal amounts of HK$300,000,000 (carrying amounts of HK$289,553,000) to be matured within one year after that date which are included in current liabilities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group as detailed below:

(a) On 5 May 2017, the Company entered into a loan agreement with an independent third party under which a loan facility of HK$900,000,000 was granted to the Company. The loan, which is unsecured, carries interest at 13% per annum and is due for repayment immediately after two years from the date of the first drawdown of any amount of the loan. Up to the date of approval of these consolidated financial statements, this loan facility was not utilised by the Company.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

(b) The directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next year from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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")

New and revised HKFRSs applied in the current year

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 42, the application of these amendments has had no Impact on the Group's consolidated financial statements.

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

New and revised HKFRSs not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to included a) impairment requirement for financial assets and b) limited amendments to classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credits loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have been also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have performed a preliminary assessment of the impact of HKFRS 9 to the Group's consolidated financial statements. All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under HKAS 39.

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

HKFRS 9 Financial Instruments (continued)

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 and since the Group does not intend to early apply this standard, the assessment of the potential impact is subject to change.

HKFRS 15 Revenue from Contracts with Customers and the related Amendments

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (that is, all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under HKFRS 16, lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

HKFRS 16 will primarily affect the Group's accounting as lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of HKFRS 16 is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Other than the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost convention, except for investment property and equity investments at fair value through profit and loss which are measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

Fair value measurement

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

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

Non-current assets held for sale

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

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

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

Impairment of non-financial assets

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Property, plant and equipment and depreciation

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

Construction in progress represents production facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and borrowing costs capitalised in accordance with the Group's accounting policies. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets (other than goodwill)

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

Oil properties

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Oil properties (continued)

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the !eased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as ‘prepaid land lease payments’ in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in profit or loss. The fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets (including trade and bills receivables, other receivables, amounts due from related companies, pledged bank deposits and cash and cash equivalents) are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with changes in fair value recognised as other comprehensive income in available-for-sale investment revaluation reserve until the investment is derecognised or is determined to be impaired, at which time the cumulative gain or loss included in investment revaluation reserve is reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in other income in accordance with the accounting policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Derecognition of financial assets

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

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

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

On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, loans from related companies, amounts due to related companies, bank and other borrowings, promissory notes payable and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contract

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are indirectly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Asset retirement obligation

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

Income tax

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

Government grants

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a straight-line basis over the lease terms;

(c) logistics and warehousing income, when the relevant service has been rendered; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Pension scheme

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

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

(a) Pension obligations

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

(b) Medical benefit costs

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

(c) Housing fund

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

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

Pension scheme

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

Borrowing costs

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

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

Foreign currencies

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

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

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

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

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

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

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

Impairment of assets

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

Income taxes

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units (the "CGU") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 is HK$110,828,000 (2016: HK$196,736,000). Impairment of goodwill amounted to HK$85,908,000 (2016: HK$29,238,000) was charged to the profit or loss in respect of the current year. Details regarding the goodwill are disclosed in note 21 to the consolidated financial statements.

Impairment of investments in associates

The Group assesses whether there are any indications of impairment of associates at the end of each reporting period. Investments in associates are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher or its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available information from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of property, plant and equipment

The recoverable amount of an item/a group of property, plant and equipment is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets relating to unused tax losses was recognised at 31 December 2016 and 2017. Further details are disclosed in note 36 to the consolidated financial statements.

Useful lives of property, plant and equipment

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

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Estimation of oil reserves

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

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

Estimation on asset retirement obligation

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

6 OPERATING SEGMENT INFORMATION

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

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

Continuing operations

(a)	Commodities trading:	Trading of commodities;
(b)	Oil segment:	Exploration and production of oil as well as provision of well drilling services; and
(c)	Logistics segment:	Provision of transportation and warehousing services.

Discontinued operations

Coke manufacturing segment: Production and sales of metallurgical coke.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement. There were no intersegment sales in the current year (2016: Nil).

Segment assets exclude available-for-sale investments, amounts due from related companies, equity investments at fair value through profit and loss, pledged bank deposits, and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude amounts due to related companies, promissory notes payable, convertible bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

6 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Continuing operations				Discontinued operations	
	Commodities trading HK$'000	Oil HK$'000	Logistics HK$'000	Total HK$'000	Coke manufacturing HK$'000	Total HK$'000
Segment revenue						
Sales to external customers	3,081,315	4,359	4,632	3,090,306	542,560	3,632,866
Segment profit (loss)	190,043	(96,244)	(39,631)	54,168	(64,804)	(10,636)
Interest income						156
Unallocated income						908,933
Unallocated expense						(31,840)
Finance costs						(64,106)
Profit before tax						802,507
Income tax expense						(122,818)
Profit for the year						679,689
Segment assets	1,099,497	405,780	1,095,941	2,601,218	–	2,601,218
Unallocated assets						123,827
Total assets						2,725,045
Segment liabilities	820,509	15,895	31,270	867,674	–	867,674
Unallocated liabilities						618,334
Total liabilities						1,486,008
Other segment information						
Capital expenditure allocated to segments	–	4,451	18,764	23,215	3,183	26,398
Unallocated capital expenditure						11
Total capital expenditure						26,409
Depreciation and amortisation allocated to segments	–	5,649	5,610	11,259	18,814	30,073
Unallocated depreciation and amortisation						345
Total depreciation and amortisation						30,418
Impairment loss allocated to segments:						
Property, plant and equipment	–	–	–	–	–	–
Investment in an associate	–	–	–	–	–	–
Goodwill	–	53,139	32,769	85,908	–	85,908
Oil properties	–	38,934	–	38,934	–	38,934
Trade and bills receivables	–	235	–	235	839	1,074
Prepayments, deposits and other receivables	–	–	–	–	47,619	47,619
Total impairment loss recognised	–	92,308	32,769	125,077	48,458	173,535

6 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016

	Continuing operations				Discontinued operations	
	Commodities trading HK$'000	Oil HK$'000	Logistics HK$'000	Total HK$'000	Coke manufacturing HK$'000	Total HK$'000
Segment revenue						
Sales to external customers	2,555,257	4,039	1,949	2,561,245	764,911	3,326,156
Segment profit (loss)	40,456	(9,238)	(18,150)	13,068	(565,732)	(552,664)
Interest income						55
Unallocated income						6,579
Unallocated expense						(24,620)
Finance costs						(70,628)
Loss before tax						(641,278)
Income tax expense						(61,497)
Loss for the year						(702,775)
Segment assets	1,337,278	494,841	1,099,677	2,931,796	1,956,921	4,888,717
Unallocated assets						202,832
Total assets						5,091,549
Segment liabilities	1,151,443	13,682	26,846	1,191,971	2,299,567	3,491,538
Unallocated liabilities						1,395,130
Total liabilities						4,886,668
Other segment information						
Capital expenditure allocated to segments	–	416	151,298	151,714	–	151,714
Unallocated capital expenditure						–
Total capital expenditure						151,714
Depreciation and amortisation allocated to segments	–	7,184	1,993	9,177	55,215	64,392
Unallocated depreciation and amortisation						355
Total depreciation and amortisation						64,747
Impairment loss allocated to segments:						
Property, plant and equipment	–	–	–	–	30,931	30,931
Goodwill	–	11,642	17,596	29,238	–	29,238
Oil properties	–	13,614	–	13,614	–	13,614
Trade and bills receivables	3,159	76	5,911	9,146	346,720	355,866
Prepayments, deposits and other receivables	–	–	2,876	2,876	111,055	113,931
Total impairment loss recognised	3,159	25,332	26,383	54,874	488,706	543,580

6 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
PRC	**3,628,507**	3,081,841
Hong Kong	**–**	124,902
Other countries	**4,359**	119,413
	3,632,866	3,326,156

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

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
PRC	**977,607**	1,098,489
USA	**204,711**	243,062
Other countries	**211,988**	207,720
	1,394,306	1,549,271

The above non-current assets information is based on the location of the assets and exclude goodwill of HK$110,828,000 (2016: HK$196,736,000).

Information about major customers

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

	Revenue generated from	2017 HK$'000	2016 HK$'000
Customer A	Coke manufacturing	**409,067**	608,755

7 REVENUE, OTHER INCOME AND GAINS

Revenue

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:

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from:						
Sales of goods	**3,085,674**	2,559,296	**542,560**	764,911	**3,628,234**	3,324,207
Rendering of services	**4,632**	1,949	**–**	–	**4,632**	1,949
	3,090,306	2,561,245	**542,560**	764,911	**3,632,866**	3,326,156

Other income and gains

An analysis of other income and gains is as follows:

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Rental income	**–**	117	**–**	–	**–**	117
Bank interest income	**157**	86	**–**	–	**157**	86
Government grants received*	**14,166**	–	**6,234**	10,853	**20,400**	10,853
Gain on disposal of property, plant and equipment, net	**226**	–	**–**	1,951	**226**	1,951
Gain on change in fair value of an investment property (note 17)	**4,212**	3,073	**–**	–	**4,212**	3,073
Reimbursement of depreciation charges	**–**	–	**6,327**	6,121	**6,327**	6,121
Reversal of impairment of investment in an associate (note 19)	**–**	26,555	**–**	–	**–**	26,555
Reversal of impairment of trade receivables (note 24)	**–**	–	**14,056**	343	**14,056**	343
Sundry income	**383**	5,034	**231**	102	**614**	5,136
Total other income and gains	**19,144**	34,865	**26,848**	19,370	**45,992**	54,235

* It represents various government grants received for the Group's supply of heat in the PRC and refund of value-added tax and other taxes. There are no unfulfilled conditions or contingencies attached to these grants and refunds.

8 FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest expenses, net of reimbursement on borrowings:						
Bank loans, overdrafts and other loans	4,792	3,913	71,987	122,437	76,779	126,350
Finance leases	3	–	–	–	3	–
Convertible bonds (note 32)	56,027	63,559	–	–	56,027	63,559
Promissory notes payable (note 33)	3,285	3,177	–	–	3,285	3,177
	64,107	70,649	71,987	122,437	136,094	193,086

9 LOSS BEFORE TAX

The Group's loss before tax is arrived after charging (crediting):

	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost of inventories sold*	2,898,511	2,504,340	437,409	665,917	3,335,920	3,170,257
Minimum lease payments under operating leases in respect of land and buildings	971	715	–	–	971	715
Auditors' remuneration						
Audit services						
– current year	1,280	1,200	–	–	1,280	1,200
– under-provision in prior year	340	550	–	–	340	550
	1,620	1,750	–	–	1,620	1,750
Other services	994	325	–	–	994	325
	2,614	2,075	–	–	2,614	2,075
Staff costs (excluding directors' remuneration (note 10))						
Salaries and allowances	8,390	5,303	23,064	29,569	31,454	34,872
Retirement benefit costs	400	531	–	–	400	531
	8,790	5,834	23,064	29,569	31,854	35,403
Depreciation of property, plant and equipment	7,898	5,197	18,127	54,285	26,025	59,482
Accretion expenses – oil properties	772	733	–	–	772	733
Amortisation of prepaid land lease payments	1,474	715	687	931	2,161	1,646
Amortisation of oil properties	2,232	3,619	–	–	2,232	3,619
Reversal of write-down of inventories	–	–	(6,886)	–	(6,886)	–
Foreign exchange (gain) loss, net	(47)	246	–	136	(47)	382

* Cost of inventories sold includes staff costs and depreciation charges amounted to a total of approximately HK$18,973,000 (2016: HK$23,806,000) and HK$18,664,000 (2016: HK$53,089,000) respectively. These amounts are also included in the respective total amounts disclosed separately above.

10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2017 HK$'000	2016 HK$'000
Fees	925	531
Other emoluments:		
Salaries, allowances and benefits in kind	2,044	2,546
Pension scheme contributions	36	54
	3,005	3,131

(a) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2017				
Cai Sui Xin[1]	–	–	–	–
Lau Yu[1]	–	–	–	–
Ng Tze For	–	1,542	18	1,560
Zhao Cheng Shu	–	502	18	520
Geng Tao[2]	–	–	–	–
Han Binke[3]	–	–	–	–
Gao Zhenyun[4]	–	–	–	–
Ding Zhiyi[5]	–	–	–	–
He Fengnian[5]	–	–	–	–
	–	2,044	36	2,080
2016				
Cai Sui Xin[1]	–	–	–	–
Lau Yu[1]	–	502	18	520
Ng Tze For	–	1,542	18	1,560
Zhao Cheng Shu	–	502	18	520
Geng Tao[2]	–	–	–	–
Han Binke[3]	–	–	–	–
Gao Zhenyun[4]	–	–	–	–
Ding Zhiyi[5]	–	–	–	–
He Fengnian[5]	–	–	–	–
	–	2,546	54	2,600

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

(a) Executive directors (continued)

1 Mr. Cai Sui Xin and Mr. Lau Yu resigned as executive director of the Company with effect from 1 January 2017.

2 Mr. Geng Tao was appointed as executive director of the Company with effect from 1 January 2017 and resigned with effect from 25 May 2017.

3 Mr. Han Binke was appointed as executive director of the Company with effect from 1 January 2017 and resigned with effect from 7 June 2017.

4 Ms. Gao Zhenyun was appointed as executive director of the Company with effect from 7 June 2017 and resigned with effect from 6 September 2017.

5 Mr. Ding Zhiyi and Mr. He Fengnian were appointed as executive director of the Company with effect from 1 November 2017.

Mr. Ding Zhiyi was also the chief executive officer of the Company.

(b) Non-executive director

	Fees	
	2017	2016
	HK$'000	HK$'000
Cai Jianjun[6]	**300**	–

6 Mr. Cai Jianjun was appointed as a non-executive director of the Company with effect from 1 November 2017.

(c) Independent non-executive directors

	Fees	
	2017	2016
	HK$'000	HK$'000
Choy So Yuk	**150**	150
Leung Yuen Wing	**150**	150
Wu Zhao	**150**	81
Zhu Dengkai[7]	**150**	–
Gao Wen Ping[8]	**–**	150
Liu Wei[9]	**25**	–
	625	531

7 Mr. Zhu Dengkai was appointed as independent non-executive director of the Company with effect from 1 January 2017.

8 Mr. Gao Wen Ping resigned as independent non-executive director of the Company with effect from 1 January 2017.

9 Mr. Liu Wei was appointed as independent non-executive director of the Company with effect from 1 November 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

There was no remuneration paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2016: Nil).

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year included two (2016: three) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three (2016: two) highest paid employees, who are neither a director nor the chief executive of the Company, are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	2,462	1,759
Retirement scheme contributions	54	36
	2,516	1,795

The emoluments were within the following bands:

	Number of individuals 2017	 2016
HK$ nil to HK$1,000,000	2	1
HK$ 1,000,001 to HK$1,500,000	1	1
	3	2

12 INCOME TAX EXPENSE

	Continuing operations		Discontinued operations			
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Hong Kong profits tax	–	–	–	–	–	–
PRC corporate income tax	57,217	11,959	78,302	52,022	135,519	63,981
Under/(over)provision in prior years	1,469	(378)	–	–	1,469	(378)
Current tax	58,686	11,581	78,302	52,022	136,988	63,603
Deferred tax (note 36)	(14,170)	(2,106)	–	–	(14,170)	(2,106)
Total tax charge for the year	44,516	9,475	78,302	52,022	122,818	61,497

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 years presented. Under the Corporate Income Tax Law of the PRC, the PRC corporate income tax is calculated at the rate of 25% (2016: 25%) on the Group's estimated assessable profits arising in the PRC. Tax on the assessable profits arising in the USA is calculated at the rate of 34% (2016: 34%), however, no such income tax has been provided as the Group did not generate any assessable profits arising in the USA.

12 INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory rates) to the effective tax rates, are as follows:

	Hong Kong		PRC		USA		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
2017								
Profit (loss) before tax	**817,779**		**84,789**		**(100,061)**		**802,507**	
Tax at the statutory tax rate	**134,933**	**16.5**	**21,197**	**25.0**	**(34,020)**	**34.0**	**122,110**	**15.2**
Profits and losses attributable to associates	**315**		**–**		**–**		**315**	
Income not subject to tax	**(148,389)**		**(5,410)**		**(193)**		**(153,992)**	
Expenses not deductible for tax	**13,878**		**119,247**		**18,101**		**151,226**	
Utilisation of tax losses not recognised in prior years	**(316)**		**–**		**–**		**(316)**	
Underprovision in prior year	**–**		**1,469**		**–**		**1,469**	
Tax losses not recognised	**–**		**396**		**1,610**		**2,006**	
Income tax expense	**421**		**136,899**		**(14,502)**		**122,818**	
2016								
Loss before tax	(87,071)		(518,122)		(36,085)		(641,278)	
Tax at the statutory tax rate	(14,367)	16.5	(129,531)	25.0	(12,269)	34.0	(156,167)	24.4
Profits and losses attributable to associates	240		–		–		240	
Income not subject to tax	(598)		(9,335)		(14)		(9,947)	
Expenses not deductible for tax	12,879		202,802		6,118		221,799	
Temporary difference not recognised	28		–		–		28	
Underprovision in prior year	(379)		–		–		(379)	
Tax losses not recognised	2,227		–		3,696		5,923	
Income tax expense	30		63,936		(2,469)		61,497	

13 DISCONTINUED OPERATIONS

During the year, following the disposal of the Company's subsidiaries, Buddies Power and its subsidiary, Shanxi Loundong, as detailed in note 41, the Group discontinued its business of coal processing and production of metallurgical coke and by-products on 29 September 2017. An analysis of the results attributable to the discontinued operations is as follows:

	2017 HK$'000	2016 HK$'000
Loss for the year from discontinued operations	**(143,109)**	(617,755)
Gain on disposal of subsidiaries (note 41)	**897,065**	–
Net gain (loss) for the year from discontinued operations	**753,956**	(617,755)

The loss from discontinued operations are analysed as follows:

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**542,560**	764,911
Cost of sales and services		**(437,409)**	(665,917)
Gross profit		**105,151**	98,994
Other income and gains	7	**26,848**	19,370
Selling and distribution expenses		**(51,381)**	(40,509)
Administrative expenses		**(24,980)**	(32,445)
Impairment of property, plant and equipment		**–**	(30,931)
Impairment of trade receivables		**(839)**	(346,720)
Impairment of prepayments, deposits and other receivables		**(47,619)**	(111,055)
Finance costs	8	**(71,987)**	(122,437)
Loss before tax	9	**(64,807)**	(565,733)
Income tax expense	12	**(78,302)**	(52,022)
Loss for the year from discontinued operations		**(143,109)**	(617,755)
Loss for the year from discontinued operations attributable to:			
Owners of the Company		**(135,209)**	(583,655)
Non-controlling interests		**(7,900)**	(34,100)
Loss for the year from discontinued operations		**(143,109)**	(617,755)
Cash flows from discontinued operations			
Net cash inflows (outflows) from operating activities		**31,067**	(4,915)
Net cash (outflows) inflows from investing activities		**(4,417)**	17,964
Net cash outflows from financing activities		**(28,349)**	(14,821)
		(1,699)	(1,772)

14 DIVIDENDS

No interim dividend was declared for the current year (2016: Nil).

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2017 (2016: Nil).

15 EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is as follows:

	Continuing operations		Continuing and discontinued operations	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Earnings (loss)				
(Loss) profit for the purpose of basic earnings (loss) per share				
(Loss) profit for the year attributable to owners of the Company	**(91,336)**	(95,352)	**670,520**	(679,007)
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds	**56,027**	63,559	**56,027**	63,559
Earnings for the purpose of diluted earnings per share	**N/A**	N/A	**726,547**	N/A

	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**4,672,638**	4,037,608
Effect of dilutive potential ordinary shares:		
Convertible bonds	**1,837,429**	2,177,183
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**6,510,067**	6,214,791

Diluted loss from continuing operations per share for the years ended 31 December 2017 and 31 December 2016 is not presented because the Group sustained a loss from continuing operations for each of these years and the impact of conversion of convertible bonds is regarded as anti-dilutive.

Diluted loss from continuing and discontinued operations per share for the year ended 31 December 2016 is not presented because the Group sustained a loss from those operations for that year and the impact of conversion of convertible bonds is regarded as anti-dilutive.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both years ended 31 December 2017 and 2016.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Oil equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2017										
At 1 January 2017										
Cost	32,785	1,001,780	34,272	33,259	984,982	15,845	285,441	1,691	223,061	2,613,116
Accumulated depreciation and impairment	(3,181)	(1,001,780)	(29,618)	(7,503)	(924,690)	(11,935)	(251,879)	(1,343)	(85,256)	(2,317,185)
Carrying amount	29,604	–	4,654	25,756	60,292	3,910	33,562	348	137,805	295,931
At 1 January 2017, net of accumulated depreciation and impairment	29,604	–	4,654	25,756	60,292	3,910	33,562	348	137,805	295,931
Additions, at cost	–	–	61	1,376	3,167	28	–	11	12,575	17,218
Transferred from construction in progress	105,539	–	–	–	5,775	–	–	–	(111,314)	–
Disposal of subsidiaries (note 41)	–	–	(653)	–	(43,916)	(2,689)	(32,340)	–	(2,296)	(81,894)
Disposals	–	–	–	–	–	–	–	–	–	–
Depreciation provided for the year	(2,830)	–	(738)	(3,371)	(14,767)	(1,409)	(2,874)	(36)	–	(26,025)
Exchange realignment	8,970	–	312	186	3,505	169	1,652	26	2,821	17,641
At 31 December 2017, net of accumulated depreciation and impairment	141,283	–	3,636	23,947	14,056	9	–	349	39,591	222,871
At 31 December 2017										
Cost	148,098	–	6,340	34,636	15,416	186	–	851	39,591	245,118
Accumulated depreciation and impairment	(6,815)	–	(2,704)	(10,689)	(1,360)	(177)	–	(502)	–	(22,247)
Carrying amount	141,283	–	3,636	23,947	14,056	9	–	349	39,591	222,871

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Oil equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2016										
At 1 January 2016										
Cost	35,904	1,076,693	37,059	32,823	1,073,076	19,139	295,864	1,748	91,109	2,663,415
Accumulated depreciation and impairment	(4,227)	(940,637)	(31,808)	(3,981)	(1,038,359)	(18,723)	(282,961)	(820)	(91,109)	(2,412,625)
Carrying amount	31,677	136,056	5,251	28,842	34,717	416	12,903	928	–	250,790
At 1 January 2016, net of accumulated depreciation and impairment	31,677	136,056	5,251	28,842	34,717	416	12,903	928	–	250,790
Additions, at cost	–	–	157	416	4,194	–	–	–	3,070	7,837
Acquisition of subsidiaries (note 40(b))	–	–	525	–	2,363	34	–	–	140,955	143,877
Disposals	–	–	(219)	–	–	–	–	–	–	(219)
Depreciation provided for the year	(960)	(44,477)	(637)	(3,518)	(8,385)	(196)	(1,261)	(48)	–	(59,482)
(Impairment loss) reversal of impairment for the year	(88)	(88,450)	(21)	–	30,985	3,453	23,697	(507)	–	(30,931)
Exchange realignment	(1,025)	(3,129)	(402)	16	(3,582)	203	(1,777)	(25)	(6,220)	(15,941)
At 31 December 2016, net of accumulated depreciation and impairment	29,604	–	4,654	25,756	60,292	3,910	33,562	348	137,805	295,931
At 31 December 2016										
Cost	32,785	1,001,780	34,272	33,259	984,982	15,845	285,441	1,691	223,061	2,613,116
Accumulated depreciation and impairment	(3,181)	(1,001,780)	(29,618)	(7,503)	(924,690)	(11,935)	(251,879)	(1,343)	(85,256)	(2,317,185)
Carrying amount	29,604	–	4,654	25,756	60,292	3,910	33,562	348	137,805	295,931

16 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The Group's land and buildings is analysed as follows:

	2017 HK$'000	2016 HK$'000
Land and building Hong Kong under medium-term lease	**13,030**	13,373
Buildings in the PRC	**126,785**	14,727
Buildings in the USA	**1,468**	1,504
	141,283	29,604

(b) Certain land and buildings and machinery with the carrying amount of approximately HK$13,030,000 (2016: HK$13,373,000) and HK$nil (2016: HK$31,588,000) respectively were pledged to secure general banking facilities granted to the Group (note 31).

(c) For the year ended 31 December 2016, management of the Group decided to construct new plant facilities, which will be used to replace certain existing facilities for the coal processing and production of metallurgical coke after two years from the end of the reporting period. Upon the operations of the new plant facilities, the existing plant facilities used in these operations will be abandoned with insignificant residual value. Under these circumstances, the directors of the Company considered it appropriate to revise the remaining useful lives of the existing plant facilities from twenty-eight years to three years with effect from 1 January 2016, which resulted in an increase of the depreciation charge on such facilities by HK$33,492,000 for the year ended 31 December 2016.

(d) In view of the significant losses for the year ended 31 December 2016 sustained by the Group's coke manufacturing segment, management of the Company conducted assessments of the recoverable amounts of the assets used in this business operation and considered it appropriate to recognise impairment loss amounted to HK$30,931,000 on the Group's property, plant and machinery, which is calculated on the basis of their fair value less costs of disposal, by reference to the estimated sale prices of the relevant assets.

17 INVESTMENT PROPERTY

	2017 **HK$'000**	2016 HK$'000
Fair value, at 1 January	**16,080**	13,007
Gain on change in fair value of investment property (note 7)	**4,212**	3,073
Reclassified to asset classified as held for sale (note 28)	**(20,292)**	–
Fair value, at 31 December	**–**	16,080

The carrying amount shown above comprises:

	2017 **HK$'000**	2016 HK$'000
Investment property on land in the PRC on long-term lease	**–**	16,080

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

As at 31 December 2017 and 31 December 2016, the investment properties are held by the Company's subsidiary, Kingfund Corporation Limited ("Kingfund"). During the year, the Company entered into an agreement with a third party for the disposal of 100% equity interest in Kingfund for a consideration of RMB16,000,000. Accordingly, the investment properties was reclassified to asset classified as held for sale.

The fair value of the Group's investment property at 31 December 2017 (included in asset classified as held for sale) and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Greater China Appraisal Limited.

Greater China Appraisal Limited is an independent firm of professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on capitalisation of net income method, where the market rentals of all lettable units of the property are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is their current use.

17 INVESTMENT PROPERTY (continued)

Details of the Group's investment property and information about the fair value hierarchy are as follows:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for investment property:				
31 December 2017	**–**	**–**	**20,292**	**20,292**
31 December 2016	–	–	16,080	16,080

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential property	
	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	**16,080**	13,007
Gain on change in fair value recognised in profit or loss	**4,212**	3,073
Carrying amount at 31 December	**20,292**	16,080

Below is a summary of the valuation techniques used and key inputs to the valuation of investment property as at 31 December 2017:

Description	Fair value at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Residential property	HK$20,292,000 (equivalent to RMB16,900,000)	Income capitalisation method	(i) Annual rental	RMB100,000	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	3.5%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB70,000/sq.m.	The higher the market rate, the higher the fair value

18 PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 January	**86,362**	40,024
Acquired on acquisition of subsidiaries (note 40(b))	**–**	51,117
Additions	**6,115**	–
Elimination on disposal of subsidiaries	**(39,370)**	–
Exchange realignment	**5,831**	(4,779)
At 31 December	**58,938**	86,362
Accumulated amortisation:		
At 1 January	**8,073**	6,943
Charge for the year	**2,161**	1,646
Elimination on disposal of subsidiaries	**(8,470)**	–
Exchange realignment	**502**	(516)
At 31 December	**2,266**	8,073
Carrying amount	**56,672**	78,289
Analysed for reporting purposes as:		
Current assets	**1,282**	2,261
Non-current assets	**55,390**	76,028
	56,672	78,289

The prepaid land lease payments are amortised over the periods of 40 years.

19 INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Cost of investments in unlisted associates	**1,265,807**	1,281,950
Share of post–acquisition losses and other comprehensive income	**(1,909)**	(1,452)
Share of reserve of an associate	**785**	2,217
Impairment loss recognised	**(327,934)**	(344,348)
	936,749	938,367

Included in cost of investments in unlisted associates are goodwill arising on acquisition amounted to HK$832,433,000 (2016: HK$833,543,000).

19 INTERESTS IN ASSOCIATES (continued)

Movements during the year are as follows:

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**938,367**	320,904
Acquisition of associates during the year		
– Wulanchabu (note a)	**–**	572,500
– Qian'an ENN Energy Limited (note 40(b))	**–**	22,583
Elimination on disposal of subsidiaries (note 41)	**(2,230)**	–
Share of post-acquisition losses and other comprehensive income for the year	**(1,909)**	(1,452)
Share of reserve of an associate	**785**	2,217
Impairment loss reversed (note b)	**–**	26,655
Refund of acquisition consideration overpaid	**–**	(3,731)
Exchange realignment	**1,736**	(1,309)
Balance at end of the year	**936,749**	938,367

Notes:

(a) On 30 December 2015, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group acquired 100% equity interest in of Pride Logic Limited ("Pride Logic"). Pride Logic is an investment holding company and, through its wholly-owned subsidiaries, holds 40% equity interest in Wulanchabu Integrated Logistics Park Company Limited ("Wulanchabu"), which is principally engaged in the construction of railway and coal storage in the PRC. The consideration for the acquisition is HK$640,000,000, which was settled by way of (i) payment in cash amounted to HK$190,000,000 and (ii) allotment and issue of 562,500,000 new ordinary shares of the Company of HK$0.01 each, credited as fully paid, at an issue price of HK$0.80 per share. The acquisition was completed on 13 January 2016. The fair value of the shares issued for the acquisition is HK$0.68 per share at the date of completion, being the closing market price of the Company's ordinary share at that date. The acquisition of Pride Logic has been accounted for as acquisition of assets which resulted in cost of investment in Wulanchabu recognised amounted to HK$572,500,000. As the Group is in a position to exercise significant influence over Wulanchabu, Wulanchabu is classified as an associate of the Group.

(b) For the year ended 31 December 2016, following the increase of the recoverable amounts of the Group's investment in RockEast Energy Corporation ("RockEast") upon increase in its estimated oil reserves, the directors are of the view that it is appropriate to recognise a reversal of the impairment loss amounted to HK$26,655,000 previously made against the investment in RockEast. Such reversal of impairment loss is included in other income and gains.

19 INTERESTS IN ASSOCIATES (continued)

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

Name	Place of establishment/ registration and operations	Paid up capital	Equity interest attributable to the Group 2017	2016	Principal activities
Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")^#@	Shanxi Province, the PRC	RMB10,000,000	–	19%	Provision of loading storage and transportation service for coke, washed coals and raw coals
Shanxi Guo Xin Loujin New Resources Limited ^@	Shanxi Province, the PRC	RMB30,000,000	–	49%	Provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas
RockEast	Canada	CAD30,364,992	**30%**	30%	Exploration and production of oil
Inner Mongolia Eurasian Continent Bridge Logistics Limited Liability Company ^ ("Mongolia Logistics")	Inner Mongolia Province, the PRC	RMB5,000,000	**39%**	39%	Provision of logistics and warehousing services
Wulanchabu	Inner Mongolia Province, the PRC	RMB50,000,000	**40%**	40%	Provision of logistics and warehousing services
Qian'an ENN Energy Limited ^	Hebei Province, the PRC	RMB64,500,000	**21%**	21%	Investment in natural gas manufacturing

Nan Tie is classified as an associate by virtue of the Group's significant influence over it.

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

@ These entities were disposed of by the Group during the year ended 31 December 2017.

19 INTERESTS IN ASSOCIATES (continued)

RockEast, Mongolia Logistics and Wulanchabu, which are considered as material associates of the Group, are accounted for using the equity method.

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

	RockEast	
	2017	2016
	HK$'000	HK$'000
Non-current assets	**498,738**	463,277
Current assets	**30,678**	25,619
Current liabilities	**(25,037)**	(10,058)
Non-current liabilities	**(108,419)**	(98,217)
Net assets	**395,960**	380,621
Revenue	**81,305**	46,852
Profit before tax	**18,232**	1,110
Income tax expense	**(5,512)**	–
Profit for the year	**12,720**	1,110
Other comprehensive income	**–**	–
Total comprehensive income	**12,720**	1,110
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associates, excluding goodwill	**118,788**	114,186
Goodwill on acquisition (less accumulated impairment)	**80,161**	80,161
Carrying amount of the investment	**198,949**	194,347

19 INTERESTS IN ASSOCIATES (continued)

	Mongolia Logistics 2017 HK$'000	2016 HK$'000
Non-current assets	**289,712**	260,155
Current assets	**26,189**	42,909
Current liabilities	**(288,713)**	(264,044)
Non-current liabilities	**(360)**	(360)
Net assets	**26,828**	38,660
Revenue	**1,376**	1,818
Loss before tax	**(11,831)**	(5,950)
Income tax	**–**	–
Loss for the year	**(11,831)**	(5,950)
Other comprehensive income	**–**	–
Total comprehensive income	**(11,831)**	(5,950)
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**39%**	39%
Group's share of net assets of the associates, excluding goodwill	**10,463**	15,078
Goodwill on acquisition	**132,714**	132,714
Carrying amount of the investment	**143,177**	147,792

19 INTERESTS IN ASSOCIATES (continued)

	Wulanchabu	
	2017	2016
	HK$'000	HK$'000
Non-current assets	**673,994**	635,961
Current assets	**72,727**	144,982
Current liabilities	**(44,532)**	(78,754)
Non-current liabilities	**–**	–
Net assets	**702,189**	702,189
Revenue	**–**	–
Profit before tax	**–**	–
Income tax	**–**	–
Profit for the year	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associates, excluding goodwill	**280,876**	280,876
Goodwill on acquisition	**291,624**	291,624
Carrying amount of the investment	**572,500**	572,500

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017	2016
	HK$'000	HK$'000
Share of the associates' loss for the year	**(1,111)**	–
Share of associates' other comprehensive income	**–**	–
Aggregate carrying amount of the Group's investments in the associates	**22,123**	23,728

20 AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	HK$'000
Unlisted investments		
At cost	**–**	10,636
Less: impairment loss recognised	**–**	(3,573)
	–	7,063
Movements during the year are as follows:		
At 1 January	**7,063**	7,548
Elimination on disposal of subsidiaries (note 41)	**(7,424)**	–
Exchange realignment	**361**	(485)
At 31 December	**–**	7,063

The unlisted investments at 31 December 2016 represent investments in certain unlisted entities established in the PRC and are stated at that date at cost less impairment because the range of reasonable fair value estimates cannot be measured reliably.

21 GOODWILL

	2017 HK$'000	2016 HK$'000
At 1 January		
Cost	**1,183,596**	1,073,362
Accumulated impairment	**(986,860)**	(957,622)
Carrying amount	**196,736**	115,740
Carrying amount at 1 January, net of accumulated impairment	**196,736**	115,740
Goodwill arising from acquisition of subsidiaries (notes 40(b))	**–**	110,234
Impairment loss recognised for the year	**(85,908)**	(29,238)
Carrying amount at 31 December	**110,828**	196,736
At 31 December		
Cost	**282,375**	1,183,596
Accumulated impairment	**(171,547)**	(986,860)
Carrying amount	**110,828**	196,736

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

	Coke Management CGU HK$'000	Oil CGU HK$'000	Logistics CGU HK$'000	Total HK$'000
Carrying amount at 1 January 2016	–	64,781	50,959	115,740
Goodwill arising from acquisition of subsidiaries (note 40(b))	–	–	110,234	110,234
Impairment loss recognised for the year	–	(11,642)	(17,596)	(29,238)
Carrying amount at 31 December 2016 and 1 January 2017	**–**	**53,139**	**143,597**	**196,736**
Impairment loss recognised for the year	**–**	**(53,139)**	**(32,769)**	**(85,908)**
Eliminated on disposal of subsidiaries (note 41)	**–**	**–**	**–**	**–**
Carrying amount at 31 December 2017	**–**	**–**	**110,828**	**110,828**

21 GOODWILL (continued)

Coke Manufacturing CGU

The goodwill arose from the business combination in prior years and was fully impaired during the year ended 31 December 2013.

Oil CGU

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

Impairment test of goodwill

The recoverable amounts of the Oil CGU is determined based on a value in use calculation by reference to the valuation conducted by Greater China Appraisal Limited, an independent firm of professional valuers with recognised qualifications and experience, using the income approach methodology. The discount rate applied to the cash flow projections is 19.45% (2016: 20.7%) and the growth rate used to extrapolate the cash flows of the oil operations beyond the five-year period is 2.3% (2016: 2.34%). Based on the assessment, the directors considered it appropriate to recognise impairment of goodwill relating to oil operations amounted to HK$53,139,000 (2016: HK$11,642,000).

Logistics CGU

The goodwill of HK$110,234,000 and HK$50,959,000 arose from the acquisition of Tianjin Ruiqi Enterprise Management Company and its subsidiary ("Tianjin Ruiqi Group") and Hai Hui during the years ended 31 December 2016 and 31 December 2015 respectively.

Impairment test of goodwill

The directors of the Company conducted assessments of the recoverable amounts of the Logistics CGU with reference to the valuations conducted by Greater China Appraisal Limited, an independent firm of professional valuers with recognised qualifications and experience, using the income approach methodology. The discount rate applied to the cash flow projections of Tianjin Ruiqi Group and Hai Hui are 28.51% (2016: 27.57%) and 20% (2016: 26.43%) respectively and the growth rate used to extrapolate the cash flows of Tianjin Ruiqi Group and Hai Hui beyond the five-year period are 3% (2016: 3%) and 3% (2016: 3%) respectively. Based on the assessments, the directors considered it appropriate to recognise impairment of goodwill relating to logistics operations amounted to HK$32,769,000 (2016: HK$17,596,000).

22 OIL PROPERTIES

	2017 HK$'000	2016 HK$'000
At 1 January		
Cost	**308,401**	306,878
Accumulated amortisation and impairment	**(92,599)**	(75,617)
Carrying amount	**215,802**	231,261
At 1 January, cost less accumulated amortisation	**215,802**	231,261
Additions, at cost	**3,076**	1,498
Disposals	**–**	(401)
Amortisation for the year	**(2,232)**	(3,619)
Impairment loss recognised for the year	**(38,934)**	(13,614)
Exchange realignment	**1,584**	677
At 31 December, cost less accumulated amortisation and impairment	**179,296**	215,802
At 31 December		
Cost	**313,750**	308,401
Accumulated amortisation and impairment	**(134,454)**	(92,599)
Carrying amount	**179,296**	215,802

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

The directors of the Company conducted impairment assessments of the recoverable amounts of the oil properties as detailed in note 21. Based on the assessments, the directors of the Company considered it appropriate to recognise an impairment loss of approximately HK$38,934,000 for the current year (2016: HK$13,614,000).

23 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	–	27,850
Finished goods	**1,409**	114,970
	1,409	142,820

24 TRADE AND BILLS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**280,578**	1,733,949
Less: Impairment of trade receivable	**(72,421)**	(973,076)
	208,157	760,873
Bills receivables	–	669,994
	208,157	1,430,867

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 invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Not more than 30 days	**191,813**	345,609
31-60 days	**160**	86,425
61-90 days	**43**	165
91-365 days	**260**	15,990
Over 1 year	**88,302**	1,285,760
	280,578	1,733,949

24 TRADE AND BILLS RECEIVABLES (continued)

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

	2017 HK$'000	2016 HK$'000
At 1 January	**973,076**	673,874
Impairment losses recognised	**1,074**	355,866
Reversal of impairment losses (note 7)	**(14,056)**	(343)
Elimination on disposal of subsidiaries	**(936,432)**	–
Exchange realignment	**48,759**	(56,321)
At 31 December	**72,421**	973,076

The above provision for impairment of trade receivables as at 31 December 2017 was in relation to individually impaired trade receivables with the aggregate carrying amount of approximately HK$72,421,000 (2016: HK$973,076,000).

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

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

	2017 HK$'000	2016 HK$'000
Not past due	**191,730**	432,123
Past due:		
Less than 1 month	**57**	1,970
1 to 3 months	**43**	7,799
3 to 12 months	**–**	5,898
Over one year	**16,327**	313,083
	208,157	760,873

Receivables that were neither overdue nor impaired relate to a number of customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and/or the balances are still considered fully recoverable.

As 31 December 2017 and 2016, trade and bills receivables to the extent of HK$82,189,000 (2016: nil) were denominated in the currencies other than the functional currencies of the relevant group entities.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Refundable deposits for purchases of goods (note (a))	**865,981**	1,462,606
Prepayments and other deposits	**2,861**	95,363
Other receivables (note (b))	**101,266**	48,799
Refundable deposit for acquisition of a subsidiary (note 45)	**–**	18,740
	970,108	1,625,508

Notes:

(a) The refundable deposits at 31 December 2017 amounted to HK$865,981,000 (2016: HK$852,915,000) represent deposits paid for purchases of coal, coke and iron ores for trading purchases. The refundable deposits at 31 December 2016 also included the deposit amounted to HK$905,323,000 paid for purchase of raw materials for coal processing and production of metallurgical coke of which impairment loss amounted to HK$295,632,000 was made in prior years in view of the uncertainty of financial position of the relevant contracting parties and whether completion of purchase of goods takes place subsequently.

(b) Included in other receivables are receivables from certain third parties amounted to HK$96,998,000 (2016: HK$29,237,000) which is unsecured, interest free and repayable on demand. In view of the uncertainty of financial position of certain debtors, management considered it appropriate to recognise impairment losses amounted to HK$75,000 (2016: HK$68,011,000) on such receivables which was charged to profit or loss in respect of the current year.

(c) As at 31 December 2017 and 2016, deposits and other receivables to the extent of HK$7,483,000 (2016: HK$7,483,000) were denominated in currencies other than the functional currencies of the relevant group entities.

26 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Equity securities listed in the PRC	**–**	558

27 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**18,663**	97,135
Less: Pledged bank deposits with maturity period over three months	**–**	(19,307)
Cash and cash equivalents	**18,663**	77,828

At the end of the reporting period, the cash and bank balance of the Group denominated in Renminbi ("RMB") amounted to approximately HK$14,366,000 (2016: HK$39,475,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As 31 December 2017, the Group's cash and cash equivalents to the extent of HK$911,000 (2016: HK$13,256,000) were denominated in currencies other than the functional currencies of the relevant group entities.

28 ASSET/LIABILITY CLASSIFIED AS HELD FOR SALE

As referred to note 17, the Company entered into an agreement during the year for the disposal of 100% equity interest in Kingfund, a subsidiary of the Company, which is principally engaged in property investment. Deposits for the disposal amounted to RMB11,500,000 (equivalent to HK$13,808,000) were received by the Group up to the end of the reporting period and were included in other payables and accruals (note 30). Assets and liabilities of Kingfund have been reclassified to assets classified as held for sale and liabilities directly associated with asset classified as held for sale, analysed as below:

	31 December 2017 HK$'000
Asset classified as held for sale:	
Investment property (note 17)	**20,292**
Liability directly associated with asset classified as held for sale	
Deferred tax liabilities (note 36)	**1,801**
Net asset held for sale	**18,491**

Details of the fair value measurement of the investment property at 31 December 2017 are set out in note 17.

Completion of the disposal of the subsidiary has not taken place up to the date of approval of these consolidated financial statements.

29 TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**28,417**	659,838

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

	2017 HK$'000	2016 HK$'000
Not more than 30 days	**2,736**	276,538
31-60 days	**11**	80,719
61-90 days	**–**	4,193
91-365 days	**–**	26,238
Over one year	**25,670**	272,150
	28,417	659,838

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

30 OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Customer advances	**805,713**	654,414
Other payables	**39,256**	185,322
Value-added tax and on other taxes payables	**1,811**	60,280
Accrued interest on bank and other borrowings	**–**	162,992
Accrued interest on convertible bonds	**22,175**	10,356
Deposit received from disposal of a subsidiary (note 28)	**13,808**	–
Other accrued charges	**5,811**	23,213
	888,574	1,096,577

Other payables are non interest-bearing and have an average term of three months.

As 31 December 2017 and 2016, other payables and accruals were substantially denominated in the functional currencies of the relevant group entities.

31 BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured bank loans and overdrafts repayable within one year or on demand	**120,991**	1,619,967
Other borrowings repayable within one year:		
– Secured	**–**	256,642
– Unsecured	**23,560**	–
Total borrowings	**144,551**	1,876,609
Analysed for reporting purposes as:		
Current liabilities	**144,551**	1,876,609

Included in secured bank loans and overdrafts are bank overdrafts amounted to HK$12,967,000 (2016: HK$2,535,000).

The Group's bank and other borrowings, which carried interests ranged from 3% to 4.35%, are secured by:

(a) the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$13,030,000 (2016: HK$13,373,000) (note 16);

(b) the Group's machinery, which had an aggregate carrying value at the end of the reporting period of approximately HK$Nil (2016: HK$31,588,000) (note 16);

(c) pledge of certain of the Group's bank deposits of approximately HK$Nil (2016: HK$19,307,000) (note 27); and

(d) corporate guarantees from the Company and independent third parties.

As 31 December 2017 and 2016, bank and other borrowings were substantially denominated in the functional currencies of the relevant group entities.

32 CONVERTIBLE BONDS

CB I

On 19 August 2015, the Company issued to China Huarong Investment Management Limited, a subsidiary of China Huarong International Holdings Limited, a three-year convertible bonds with an aggregate principal amounts of HK$400,000,000 (the "CB I") for a consideration of HK$400,000,000. The CB I carries interest at 6% per annum, which is payable annually in arrears on 19 August. The maturity date of the CB I is 18 August 2018, being the third anniversary of the date of issue of the CB I (the "Maturity Date I"). The CB I is convertible into ordinary shares of the Company during the period from the date of issue of CB I to the day immediately prior to the Maturity Date I at an initial conversion price of HK$0.331 per share, subject to adjustments, which was adjusted to HK$0.290 per share as a result of the issue of CBII (as defined below) and further adjusted to HK$0.287 per share following placing of new shares in November 2016 (the "Placing"). Unless previously redeemed, converted, purchased and cancelled, the Company shall redeem the CB I at 100% of the principal amount on the Maturity Date I.

The CB I is secured by: (i) charges over 319,100,000 shares of the Company held by General Nice Resources (Hong Kong) Limited, and (ii) personal guarantee provided by Mr. Cai Sui Xin.

On 28 September 2017, the CB I with an aggregate principal amount of HK$400,000,000 were converted into 1,393,728,222 new ordinary shares of the Company at the conversion price of HK$0.287 per share.

CB II

On 2 December 2015, the Company issued to Xinya Global Limited, an strategic investor of the Company, a three-year convertible bonds with an aggregate principal amounts of HK$300,000,000 (the "CB II") for a consideration of HK$300,000,000. The CB II carries interest at 6% per annum, which is payable annually in arrears on 2 December. The maturity date of the CB II is the third anniversary of the date of issue of the CB II (the "Maturity Date II"). The CB II is convertible into shares at the conversion price of HK$0.376 per share, subject to adjustments, which was adjusted to HK$0.372 per share following the Placing. Unless previously redeemed, converted, purchased or cancelled, the Company shall redeem the outstanding CB II at 100% of the principal amount on the Maturity Date II.

The CB I and CB II have been split into the liability component at its fair value and attributing to the equity component by the residual amount, as follows:

32 CONVERTIBLE BONDS (continued)

Movements of the liability components of the CB I and CB II are as follows:

	CB I HK$'000	CB II HK$'000	Total HK$'000
Carrying amount at 1 January 2016	367,911	268,477	636,388
Interest expense (note 8)	35,519	28,040	63,559
Interest paid during the year	(15,123)	(16,521)	(31,644)
Accrued interest included in other payables and accruals in current liabilities (note 30)	(8,877)	(1,479)	(10,356)
Carrying amount at 31 December 2016	**379,430**	**278,517**	**657,947**
Conversion during the year	**(388,602)**	**–**	**(388,602)**
Interest expense (note 8)	**26,991**	**29,036**	**56,027**
Interest paid during the year	**(15,123)**	**–**	**(15,123)**
Accrued interest included in other payables and accruals in current liabilities	**(2,696)**	**(18,000)**	**(20,696)**
Carrying amount at 31 December 2017	**–**	**289,553**	**289,553**

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**289,553**	–
Non-current liabilities	**–**	657,947
	289,553	657,947

The liability components of the convertible bonds are carried at amortised cost. The effective interest rate adopted is 9.58% – 10.35% per annum (2016: 9.58% – 10.35% per annum).

At the end of the reporting period, the convertible bonds with the aggregate principal amounts of HK$300,000,000 (2016: HK$700,000,000) remained outstanding.

33 PROMISSORY NOTES PAYABLE

	2017 HK$'000	2016 HK$'000
At 1 January	**48,715**	48,638
Interest expenses charged (note 8)	**3,285**	3,177
Redemption during the year (note b)	**–**	(3,100)
At 31 December	**52,000**	48,715
Analysed for reporting purposes as:		
Current liabilities	**52,000**	48,715

(a) On 18 December 2014, the Company issued to an independent third party, Wise Perfection Limited, ("Wise Perfection") an unsecured promissory note with the principal amount of HK$60,000,000 ("PN 1") as partial consideration for the acquisition of 100% equity interest in Earning Power Inc. PN 1 bears no interest and is repayable in one lump sum on 18 December 2017 (the "Maturity Date"). The Company may at its sole discretion elect to repay all or any part of the amount outstanding under PN 1 at any time prior to the Maturity Date. PN 1 is not transferable or assignable to any third party unless with the consent of the Company. At the issue date, the fair value of PN 1 was estimated to be approximately HK$49,168,000, using an effective interest rate of 6.86% per annum.

No repayment of the PN1 was made by the Company during the current year and up to the Maturity Date and the PN 1 with the principal amount of HK$52,000,000 (2016: HK$52,000,000) remained outstanding at the end of the reporting period.

(b) On 7 August 2014 (prior to becoming a subsidiary of the Group), M&L Leasing Services Inc. ("M&L Leasing"), a wholly-owned subsidiary of the Group, issued a secured promissory note ("PN 2") with the principal amount of US$1,200,000 as partial consideration for the acquisition of certain property, plant and equipment and, termination of rights and interests in the working interest of the 6 wells to be drilled by or on behalf of M&L Leasing, including its subsidiaries. PN 2 bears interest at 4% per annum and was repayable on 31 July 2015. During the year ended 31 December 2015, US$800,000 of PN 2 (equivalent to approximately HK$6,202,000) was repaid. During the year ended 31 December 2016, the PN 2 with the remaining principal amount of US$400,000 (equivalent to approximately HK$3,100,000) was repaid by M&L Leasing.

34 OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**88**	–	**85**	–
In the second to fifth years, inclusive	**288**	–	**283**	–
	376	–	**368**	–
Less: Future finance charges	**(8)**	–	**–**	–
Present value of lease obligations	**368**	–	**368**	–
Less: Amount due for settlement within 12 months			**(85)**	–
Amount due for settlement after 12 months			**283**	–

35 ASSETS RETIREMENT OBLIGATIONS

	2017	2016
	HK$'000	HK$'000
At 1 January	**12,063**	12,183
Utilised for the year	**(1,529)**	(859)
Accretion expenses recognised	**772**	733
Exchange realignment	**87**	6
At 31 December	**11,393**	12,063

The obligations represent the present value of the estimated future expenditure, including abandonment costs, in relation to the oil properties of the Group upon their retirements. The assets retirement obligations are estimated at the end of each of the reporting period, the discount rate applied to assets retirement obligations is 5.25% (2016: 5.25%).

36 DEFERRED TAX LIABILITIES

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

	Fair value adjustments arising from business combination HK$'000	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land lease payments HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	68,490	2,872	3,645	6,711	5,364	87,082
Acquisition of subsidiaries (note 40(b))	4,556	–	–	–	–	4,556
Deferred tax credited to profit or loss (note 12)	(2,227)	–	–	121	–	(2,106)
Exchange realignment	(163)	(185)	(234)	3	(344)	(923)
At 31 December 2016 and 1 January 2017	**70,656**	**2,687**	**3,411**	**6,835**	**5,020**	**88,609**
Elimination on disposal of subsidiaries (note 41)	**–**	**(2,825)**	**(3,585)**	**–**	**(5,277)**	**(11,687)**
Deferred tax credited to profit or loss (note 12)	**(14,441)**	**–**	**–**	**271**	**–**	**(14,170)**
Reclassified to liabilities directly associated with assets classified as held for sale (note 28)	**–**	**–**	**–**	**(1,801)**	**–**	**(1,801)**
Exchange realignment	**772**	**138**	**174**	**40**	**257**	**1,381**
At 31 December 2017	**56,987**	**–**	**–**	**5,345**	**–**	**62,332**

The Group has unused tax losses arising in Hong Kong of approximately HK$24,200,000 (2016: HK$22,920,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC as there were no unremitted earnings in these subsidiaries (2016: Nil).

37 SHARE CAPITAL

	2017 HK$'000	2016 HK$'000
Authorised:		
200,000,000,000 ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
5,703,615,592 (2016: 4,309,887,370) ordinary shares of HK$0.01 each	**57,036**	43,099

The movements in the issued share capital and share premium of the Company were as follows:

	Number of shares '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2016	3,429,223	34,292	564,700	598,992
New shares issued as consideration for the acquisition of Pride Logic (note 19(a))	562,500	5,625	376,875	382,500
New shares issued upon placing of shares (note below)	318,165	3,182	143,174	146,356
Share issue expenses	–	–	(2,240)	(2,240)
At 31 December 2016 and 1 January 2017	**4,309,888**	**43,099**	**1,082,509**	**1,125,608**
New shares issued on conversion of convertible bonds (note 32)	**1,393,728**	**13,937**	**409,588**	**423,525**
At 31 December 2017	**5,703,616**	**57,036**	**1,492,097**	**1,549,133**

38 SHARE OPTION SCHEME

The Company's share option scheme adopted on 25 June 2007 (The "Old Scheme") was lapsed on 25 June 2017. Subsequent to the lapse of the Old Scheme, the Company adopted a new share option scheme on 30 June 2017 (the "New Scheme") for the purpose of providing incentives to Participants (as defined in the New Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include the directors and any employees of the Group, supplier of goods or services of the Group, any person provides professional advice, consultancy service or technical support to the Group and any shareholders of any member of the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from the adoption date on 30 June 2017 ("Adoption Date"). The principal terms of the New Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the New Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date and the maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue form time to time. The maximum number of shares in respect of which options may be granted under the New Scheme is 430,988,737 shares, representing 10% of the total number of shares in issue as at the Adoption Date and representing approximately 7.56% of the issued share capital of the Company as at 31 December 2017 and the date of this annual report. The maximum number of shares to be issued under the share options granted to each Participant in the New Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

38 SHARE OPTION SCHEME (continued)

No options have been granted, exercised or forfeited under the Old Scheme during the years ended 31 December 2017 and 31 December 2016. Movements in the share options of the Company under the Old Scheme are as follows:

	Number of shares under options granted				
Category of participants	At 1 January 2016 and 31 December 2016	Lapsed during the year	At 31 December 2017	Exercise period of the outstanding share options	Exercise price per share HK$
Director	3,942,457	(3,942,457)	–	From 9 January 2010 to 24 June 2017	0.6517
Other employees	271,894	(271,894)	–	From 9 January 2010 to 24 June 2017	0.6517
Total	4,214,351	(4,214,351)	–		

39 RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 57.

(a) Share option reserve

	2017 HK$'000	2016 HK$'000
Share option reserve attributable to		
– the Company	–	1,439
– associates	3,504	2,719
	3,504	4,158

Details of the share options granted by the Company are set out in note 38.

39 RESERVES (continued)

(b) Capital reserve

Capital reserve is analysed as follows:

	2017 HK$'000	2016 HK$'000
Statutory surplus reserve (note i)	**15,436**	102,489
Waiver of increased consideration for acquisition of a subsidiary (note ii)	**160,670**	280,000
Acquisition of additional equity interest in a subsidiary (note iii)	**–**	306,080
	176,106	688,569

Movements during the year

	2017 HK$'000	2016 HK$'000
Balance at 1 January	**688,569**	688,569
Transferred to retained profits upon disposal of subsidiaries (note iv)	**(527,867)**	–
Transferred surplus and reserve	**15,404**	–
Balance at 31 December	**176,106**	688,569

(i) Statutory surplus reserve ("SSR")

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

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

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

39 RESERVES (continued)

(b) Capital reserve (continued)

(ii) Waiver of the increased consideration for the acquisition of 50.1% equity interest in Shanxi Loudong at 31 December 2016

Pursuant to the sale and purchase agreement dated 8 December 2007, as supplemented by supplemental agreements, entered into between General Nice Resources (Hong Kong) Limited ("GNR") and Buddies Power, a subsidiary of the Company, the consideration for the acquisition of 50.1% equity interest in Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong") shall be increased by HK$280 million in the event that the aggregate audited attributable net profits of 50.1% equity interest in Shanxi Loudong for the financial years ended 31 December 2008 and 2009 exceeds HK$230 million, such increased amount is to be satisfied by way of Buddies Power procuring the Company to issue a promissory note in the principal amount of the increased consideration of HK$280 million to GNR. The targeted profits for the above-mentioned financial years were made. The increased consideration was included in the consolidated financial statements for the year ended 31 December 2009 as goodwill and amount due to GNR of HK$280 million.

On 26 August 2010, GNR, Buddies Power and the Company entered into a deed of waiver, pursuant to which, GNR agreed to waive the liability due from the Group under the agreements. Accordingly, the Group had classified the amount due to GNR of HK$280 million as capital reserve with no adjustment to the goodwill previously recorded.

(iii) Capital reserve in respect of acquisition of the equity interest of the PRC subsidiary at 31 December 2016

During the year ended 31 December 2010, the Group had acquired further 39.9% equity interest in Shanxi Loudong from Hing Lou Resources Limited, a non-controlling equity holder of Shanxi Loudong and a shareholder of the Company. Pursuant to the acquisition of the 39.9% equity interest in Shanxi Loudong, an excess of the net assets acquired over the consideration amounting to approximately HK$224,238,000 arose which was accounted for as equity movement as being acquisition of the non-controlling interests and included in the capital reserve of the Group.

During the year ended 31 December 2010, apart from the acquisition of the 39.9% equity interest in Shanxi Loudong, only the Group had further contributed to Shanxi Loudong, which resulted in surplus on acquisition amounted to HK81,842,000 included in the capital reserve of the Group.

(iv) During the year, capital reserve amounted to HK$527,867,000 was released and transferred to accumulated losses following the completion of disposal of the relevant subsidiary, Shanxi Loudong (note 41).

40 BUSINESS COMBINATION

(a) Acquisition of subsidiaries during the year ended 31 December 2017

There were no acquisition of subsidiaries during the year ended 31 December 2017.

(b) Acquisition of subsidiaries during the year ended 31 December 2016

On 8 April 2016, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party, pursuant to which the Group acquired 100% equity interest in Tianjin Ruiqi Enterprise Management Company Limited, which in turn holds 70% interest in Tianjin Property Qian'an Logistics Company Limited ("Qian'an Logistics"), for an aggregate consideration of RMB200,000,000 (equivalent to approximately HK$240,402,000), which was paid in cash. Tianjin Ruiqi Group were principally engaged in investment holding, trading of commodities and provision of logistics and warehousing services in the PRC. The acquisition, which enabled the Group's expansion of its business of trading of commodities and logistics and warehouse services, was completed on 20 June 2016.

Acqusition-related costs are insignificant which have been included in administrative expenses presented in the consolidated statement of profit or loss and other comprehensive income.

40 BUSINESS COMBINATION (continued)

(b) Acquisition of subsidiaries during the year ended 31 December 2016 (continued)

Assets and liabilities of Tianjin Ruiqi Group recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	143,877
Prepaid land lease payment	51,117
Investment in an associate	22,583
Trade and bills receivables	290,610
Prepayments, deposits and other receivables	200,076
Cash and cash equivalents	38
Trade and bills payables	(398,512)
Other payables and accruals	(14,244)
Bank borrowings	(105,035)
Deferred tax liabilities	(4,556)
	185,954

The receivables acquired comprised trade receivables and other receivables with the fair values of HK$290,610,000 and HK$200,076,000 respectively. The gross contractual amounts of trade receivables and other receivables at the date of acquisition are HK$290,610,000 and HK$200,076,000 respectively. No contractual cash flows from these trade receivables and other receivables are expected to be uncollectible.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	240,402
Plus: non-controlling interests	55,786
Less: fair value of identifiable net assets acquired	(185,954)
Goodwill arising on acquisition	110,234

Goodwill arose in the acquisition of Tianjin Ruiqi Group because of the Group's benefits from expected synergies, diversity in business and income base.

Net cash outflow on acquisition of subsidiaries:

	HK$'000
Consideration paid in cash	240,402
Cash and cash equivalents acquired	(38)
Net cash outflow from the acquisition	240,364

41 DISPOSAL OF SUBSIDIARIES

Disposal took place during the year ended 31 December 2017

On 26 June 2017, the Company entered into an agreement with Champ Noble Limited, (a holder of 5.52% equity interest in Shanxi Loudong (see below)) for the disposal of 100% equity interest in a subsidiary, Buddies Power, for a cash consideration of HK$8,000,000. The Company entered into an agreement with Champ Noble Limited, pursuant to which the accounts balances of the Group with Buddies Power and its subsidiaries were waived upon the completion of the disposal. Buddies Power is an investment holding company. The principal activities of Buddies Power's subsidiary, Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"), are (i) coal processing and production of metallurgical coke and by-products; and (ii) trading of metallurgical coke. The disposal took place on 29 September 2017.

	HK$'000
Consideration for the disposal:	
Consideration received	8,000

Analysis of assets and liabilities at the date of disposal over which control was lost:	HK$'000
Property, plant and equipment	81,894
Prepaid land lease payments	30,900
Interests in associates	2,230
Available-for-sale investments	7,424
Inventories	195,421
Trade and bills receivables	912,919
Prepayments, deposits and other receivables	938,297
Equity investments at fair value through profit or loss	587
Income tax recoverable	37
Pledged bank deposits	21,557
Cash and cash equivalents	1,010
Trade payables	(160,150)
Other payables and accruals	(491,041)
Bank borrowings	(1,871,080)
Income tax payable	(510,281)
Deferred tax liabilities	(11,687)
Loan from a related company	(859)
Amounts due to group entities	(1,987,606)
Net liabilities disposed of	(2,840,428)

41 DISPOSAL OF SUBSIDIARIES (continued)

Disposal took place during the year ended 31 December 2017 (continued)

	HK$'000
Gain on disposal of subsidiaries	
Consideration	8,000
Net liabilities disposed of	2,840,428
Amounts due to group entities waived	(1,962,228)
Cumulative exchange gain in respect of the foreign operations disposed of	79,162
Non-controlling interests	(68,297)
Gain on disposal (note 13)	897,065

	HK$'000
Net cash outflow on disposal of subsidiaries	
Consideration received	8,000
Less: Cash and cash equivalents disposed of	(1,010)
	6,990

42 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities for the year ended 31 December 2017, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in other payables and accruals) HK$'000	Convertible bonds HK$'000	Promissory notes payable HK$'000	Obligations under finance leases HK$'000	Bank and other borrowings (excluded bank overdraft) HK$'000	Total HK$'000
As at 1 January 2017	173,348	657,947	48,715	–	1,874,074	2,754,084
Financing outflow (inflow)	(27,685)	(15,123)	–	(65)	30,147	(12,726)
New finance leases	–	–	–	429	–	429
Conversion of convertible bonds	–	(388,602)	–	–	–	(388,602)
Eliminated on disposal of subsidiaries	(230,629)	–	–	–	(1,871,080)	(2,101,709)
Interest payable reclassified to other payables and accruals	20,696	(20,696)	–	–	–	–
Exchange realignment	9,666	–	–	1	98,443	108,110
Finance costs	76,779	56,027	3,285	3	–	136,094
As at 31 December 2017	22,175	289,553	52,000	368	131,584	495,680

43 MAJOR NON-CASH TRANSACTIONS

During the year, the CB I with an aggregate principal amount of HK$400,000,000 were convertible into 1,393,728,222 new ordinary shares of the Company at the conversion price of HK$0.287 per share, details of which are set out in note 32.

44 OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain land and pier, office premise and staff quarter under operating lease arrangements. Lease for the land and pier is negotiated for a term of 30 years and leases for office premise and staff quarter are negotiated for terms of one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**2,104**	2,048
In the second to fifth years, inclusive	**4,762**	5,482
After five years	**22,731**	23,243
	29,597	30,773

45 CAPITAL COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Contracted, but not provided for, in respect of acquisition of subsidiaries	**–**	56,028
	–	56,028

Note: As at 31 December 2016, the Group had commitment amounted to HK$56,028,000 for the acquisition of 80% equity interest in Tianjin Wealthy Faith International Trading Limited. The acquisition was terminated during the year.

46 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2017 HK$'000	2016 HK$'000
Related company:		
Public relation fee	–	614

Note: The public relation fee was paid to China Times Corporate Advisory Limited, of which the Company's former director is a shareholder.

(b) Outstanding balances with related parties

In addition to the balances with related parties disclosed elsewhere in these consolidated financial statements, the Group had certain balances with related companies which are unsecured, interest-free and have no fixed terms of repayment and represent cash advances to or from those related companies, analysed as follows:

	At 31 December 2017 HK$'000	Maximum amount outstanding during the year HK$'000	31 December 2016 and 1 January 2017 HK$'000
Amounts due from related companies:			
General Nice (Tianjin) Industry Company Limited	–	29,564	29,564
山西平型關鐵礦有限公司 (literally translated as "Shanxi Ping Xing Guan Iron Ore Company Limited") (note (iv))	–	500	500
山西新海峰能源有限公司 (literally translated as "Shanxi Xin Energy Company Limited") (note (iii))	–	5,334	5,334
深圳市新海能投資有限公司 (literally translated as "Shenzhen Xin Hai Neng Investment Company Limited") (note (iii))	–	10,907	10,907
Amounts due from related companies classified under current assets	–		46,305

46 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

	2017 HK$'000	2016 HK$'000
Amounts due to related companies:		
Hing Lou Resources Limited (note (iii))	–	17
繁峙縣平型關鐵礦有限公司 (literally translated as "Fan Zhi Xian Ping Xing Guan Iron Ore Company Limited") (note (iv))	–	16,736
Amounts due to related companies classified under current liabilities	–	16,753

Non-current portion

	2017 HK$'000	2016 HK$'000
Loans from related companies:		
GNR (note (i))	–	817
Loans from related companies classified under non-current liabilities	–	817

Notes:

(i) GNR directly held the Company's equity interest of approximately 5.86% as at 31 December 2017.

(ii) The English names of these companies are directly translated from their Chinese names as no English names have been registered.

(iii) A former director of the Company is also the director of the related companies.

(iv) These related companies are controlled by the companies, in which, a former director of the Company is also a director.

(c) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Short term employee benefits	4,069	4,089
Post-employment benefits	54	72
Total compensation to key management personnel	4,123	4,161

47 FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets at 31 December 2017

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	–	–
Trade and bills receivables	–	208,157	–	208,157
Financial assets included in prepayments, deposits and other receivables	–	967,247	–	967,247
Equity investments at fair value through profit or loss	–	–	–	–
Amounts due from related companies	–	–	–	–
Pledged bank deposits	–	–	–	–
Cash and cash equivalents	–	18,663	–	18,663
	–	1,194,067	–	1,194,067

Financial assets at 31 December 2016

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	7,063	7,063
Trade and bills receivables	–	1,430,867	–	1,430,867
Financial assets included in prepayments, deposits and other receivables	–	1,530,145	–	1,530,145
Equity investments at fair value through profit or loss	558	–	–	558
Amounts due from related companies	–	46,305	–	46,305
Pledged bank deposits	–	19,307	–	19,307
Cash and cash equivalents	–	77,828	–	77,828
	558	3,104,452	7,063	3,112,073

47 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities at 31 December 2017

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	**28,417**
Financial liabilities included in other payables and accruals	**82,861**
Bank and other borrowings	**144,551**
Amounts due to related companies	**–**
Loans from related companies	**–**
Convertible bonds	**289,553**
Promissory notes payable	**52,000**
Obligations under finance leases	**368**
	597,750

Financial liabilities at 31 December 2016

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	659,838
Financial liabilities included in other payables and accruals	442,163
Bank and other borrowings	1,876,609
Amounts due to related companies	16,753
Loans from related companies	817
Convertible bonds	657,947
Promissory notes payable	48,715
Obligations under finance leases	–
	3,702,842

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Financial assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss at 31 December 2017	–	–	–	–
31 December 2016	558	–	–	558

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

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

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include promissory notes payable, bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and bank borrowings with floating interest rates. The other borrowings carried interest at fixed interest rates. The Group regularly reviews and monitors the floating interest rate in order to manage its interest rate risks.

The sensitivity analyses below have been determined based on the exposure to bank deposits and bank borrowings at floating interest rates at the end of the reporting period. The analysis is prepared assuming the amount of these assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by HK$1,090,000 (2016: loss for the year would increase/decrease by HK$9,209,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi ("RMB") and United States Dollars ("USD"). The Group manages its transactional currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Group monitors the foreign currency exchange rates closely so as to minimise any potential material adverse effects from these exposure in a timely manner.

The following table demonstrates the sensitivity at the respective reporting dates to a reasonable possible change in the exchange rate of RMB and USD with all other variables held constant, of Group's loss before tax.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
31 December 2017		
If HK$ weakens against RMB	**5**	**4,116**
If HK$ strengthens against RMB	**(5)**	**(4,116)**
If HK$ weakens against USD	**0.5**	**413**
If HK$ strengthens against USD	**(0.5)**	**(413)**

	Increase/ (decrease) in exchange rate %	(Increase)/ decrease in loss before tax HK$'000
31 December 2016		
If HK$ weakens against RMB	5	7
If HK$ strengthens against RMB	(5)	(7)
If HK$ weakens against USD	0.5	91
If HK$ strengthens against USD	(0.5)	(91)

Credit risk

The Group trades only with recognised third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is significant.

The credit risk of the Group's financial assets, which comprise pledged bank deposits, cash and bank balances, trade and other receivables, and amounts due from related companies arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentration of credit risk as 39% (2016: 14%) and 83% (2016: 39%) of the Group's trade receivables, before impairment, were due from the Group's largest trade debtors and the five largest trade debtors, respectively.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding.

As referred to in note 2, management of the Company has made several measures and arrangements to enable the Group to have sufficient cash resources to operate as a going concern.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are based on floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these no-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amount included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	On demand or within one year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2017 HK$'000
As at 31 December 2017				
Non-derivative assets				
Trade and bills receivables	208,157	–	208,157	208,157
Financial assets included in prepayments, deposits and other receivables	967,247	–	967,247	967,247
Amounts due from related companies	–	–	–	–
Pledged bank deposits	–	–	–	–
Cash and cash equivalents	18,663	–	18,663	18,663
	1,194,067	–	1,194,067	1,194,067

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	On demand or within one year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2017 HK$'000
As at 31 December 2017				
Non-derivative financial liabilities				
Trade and bills payables	28,417	–	28,417	28,417
Financial liabilities included in other payables and accruals	82,861	–	82,861	82,861
Bank and other borrowings	149,672	–	149,672	144,551
Amounts due to related companies	–	–	–	–
Loans from related companies	–	–	–	–
Convertible bonds (note below)	316,521	–	316,521	289,553
Promissory notes payable	52,000	–	52,000	52,000
Obligations under finance leases	88	288	376	368
	629,559	288	629,847	597,750

Note: This is categorized based on contractual terms of redemption at maturity on the assumption that there were no redemption or the conversion of convertibles bonds outstanding at 31 December 2017 before the maturity dates.

	On demand or within one year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2016 HK$'000
As at 31 December 2016				
Non-derivative assets				
Trade and bills receivables	1,430,867	–	1,430,867	1,430,867
Financial assets included in prepayments, deposits and other receivables	1,530,145	–	1,530,145	1,530,145
Amounts due from related companies	46,305	–	46,305	46,305
Pledged bank deposits	19,307	–	19,307	19,307
Cash and cash equivalents	77,828	–	77,828	77,828
	3,104,452	–	3,104,452	3,104,452

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	On demand or within one year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2016 HK$'000
As at 31 December 2016				
Non-derivative financial liabilities				
Trade and bills payables	659,838	–	659,838	659,838
Financial liabilities included in other payables and accruals	442,163	–	442,163	442,163
Bank and other borrowings	1,986,786	–	1,986,786	1,876,609
Amounts due to related companies	16,753	–	16,753	16,753
Loans from related companies	–	817	817	817
Convertible bonds (note below)	42,000	731,644	773,644	657,947
Promissory notes payable	52,000	–	52,000	48,715
Obligations under finance leases	–	–	–	–
	3,199,540	732,461	3,932,001	3,702,842

Note: This is categorized based on contractual term of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bonds outstanding at 31 December 2016 before the maturity dates.

Oil price risk

Since the Group makes reference to international oil prices to determine the product price in the oil segment, the Group is exposed to commodity price risk related to price volatility of oil. The Group actively monitors and manages the oil price risk.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes bank and other borrowings, promissory notes payable and the non-current portion of the loans from related companies and convertible bonds, less cash and cash equivalents. Total capital includes total equity attributable to owners of the Company and net debt. The gearing ratios as at the ends of reporting periods were as follows:

	2017 **HK$'000**	2016 HK$'000
Bank and other borrowings	**144,551**	1,876,609
Loans from related companies	**–**	817
Promissory notes payable	**52,000**	48,715
Convertible bonds, the liability component	**289,553**	657,947
Less: Cash and bank balances	**(18,663)**	(77,828)
Net debt	**467,441**	2,506,260
Equity attributable to owners of the Company	**1,158,151**	203,474
Total equity and net debt	**1,625,592**	2,709,734
Gearing ratio	**29%**	92%

50 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	–
Investments in subsidiaries	–	–
Amounts due from subsidiaries	924,313	992,214
Total non-current assets	924,313	992,214
CURRENT ASSETS		
Prepayments, deposits and other receivables	31,570	19,341
Amounts due from a related company	–	29,564
Amounts due from subsidiaries	442,292	385,550
Cash and cash equivalents	778	52,478
Total current assets	474,640	486,933
CURRENT LIABILITIES		
Other payables and accruals	45,177	32,813
Bank and other borrowings	23,560	–
Promissory notes payable	52,000	48,715
Convertible bonds	289,553	–
Amounts due to subsidiaries	1,738	2,141
Total current liabilities	412,028	83,669
NET CURRENT ASSETS	62,612	403,264
TOTAL ASSETS LESS CURRENT LIABILITIES	986,925	1,395,478
NON-CURRENT LIABILITIES		
Convertible bonds	–	657,947
Total non-current liabilities	–	657,947
Net assets	986,925	737,531
EQUITY		
Share capital	57,036	43,099
Reserves (Note)	929,889	694,432
TOTAL EQUITY	986,925	737,531

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 26 March 2018 and is signed on its behalf by:

Ding Zhiyi	**Ng Tze For**
Director	*Director*

50 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: Movements of the Company's reserves are as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	564,700	160,670	773,090	1,439	66,356	(1,304,534)	261,721
Loss for the year and total comprehensive income for the year	–	–	–	–	–	(85,098)	(85,098)
Shares issued as consideration for the acquisition of associates	376,875	–	–	–	–	–	376,875
Issue of shares upon share placing	143,174	–	–	–	–	–	143,174
Share issue expenses	(2,240)	–	–	–	–	–	(2,240)
At 31 December 2016 and at 1 January 2017	**1,082,509**	**160,670**	**773,090**	**1,439**	**66,356**	**(1,389,632)**	**694,432**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(139,208)**	**(139,208)**
Issue of share upon conversion of convertible bonds	**409,588**	**–**	**–**	**–**	**(34,923)**	**–**	**374,665**
Share options lapsed	**–**	**–**	**–**	**(1,439)**	**–**	**1,439**	**–**
At 31 December 2017	**1,492,097**	**160,670**	**773,090**	**–**	**31,433**	**(1,527,401)**	**929,889**

51 SUBSIDIARIES

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Issued/ paid up capital	Percentage of equity interest attributable to the Company Direct 2017	Indirect 2017	Direct 2016	Indirect 2016	Principal activities
Kingfund Corporation Limited	Hong Kong	HK$1	–	100%	–	100%	Property investment
Abterra Coal & Coke Limited[@]	Hong Kong	HK$10,000	–	–	–	100%	Investment holding
Shanxi Loudong[@]	PRC	RMB446,000,000	–	–	–	94.48%	Coke processing and manufacture of relevant chemicals
Super Energy Limited	Hong Kong	HK$1	100%	–	100%	–	Administrative function
Earning Power Inc.	British Virgin Islands ("BVI")	US$2	–	100%	–	100%	Investment holding
City Joint Investments Limited	BVI	US$1	100%	–	100%	–	Investment holding
Metro Winner Trading Limited	Hong Kong	HK$1	–	100%	–	100%	Trading of commodities
Northern Lynx Exploration	USA	US$300,000	–	100%	–	100%	Investment holding
Mega Oil Inc.	USA	US$1,000	–	100%	–	100%	Extraction and sales of oil
Sheen Day Limited	Hong Kong	HK$1	–	100%	–	100%	Property holding
Dongguan City Hai Hui Logistics Company Limited[^*]	PRC	RMB30,500,000	–	100%	–	100%	Provision of logistics and warehousing services
Kai Sum International Limited	BVI	US$2	–	100%	–	100%	Investment holding
Wealth Delight International Holdings Limited	BVI	US$1	–	100%	–	100%	Investment holding
Qian'an Logistics[^]	PRC	RMB100,000,000	–	70%	–	70%	Trading of commodities and provision of logistics and warehousing services

\# The subsidiary is registered as a Sino-foreign investment enterprise under the PRC law.

^ The subsidiary is registered as a limited liability enterprise under the PRC law.

@ These entities were disposed during the year ended 31 December 2017.

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

51 SUBSIDIARIES (continued)

Information about subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

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

The table below shows details of non wholly-owned subsidiaries of the Company that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Qian'an Logistics	PRC	**30**	30	**12,363**	10,332	**80,881**	63,272
Shanxi Loudong	PRC	**–**	5.52	**(3,194)**	(34,100)	**–**	(61,865)
				9,169	(23,768)	**80,881**	1,407

Note: Shanxi Loudong was disposed of during the year, details of which are set out in note 41. The revenue and loss for the period up to the date of disposal are as follows:

	1 January 2017 to 29 September 2017 HK$'000
Revenue	1,073,257
Expenses	(1,131,105)
Loss for the period	(57,848)
Loss attributable to owners of the company	(54,654)
Loss attributable to non-controlling interests	(3,194)
Loss for the period	(57,848)
Total comprehensive income attributable to owner of the Company	(110,095)
Total comprehensive income attributable to non-controlling interests	(6,432)
Total comprehensive income for the period	(116,527)

The loss for the period to the extent of HK$143,109,000 is attributable to discontinued operations, as analysed in note 13.

51 SUBSIDIARIES (continued)

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

Summarised financial information in respect of the Company's subsidiaries at 31 December 2017 and 2016 that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Qian'an Logistics

	In respect of the year ended 31 December 2017 HK$'000	2016 HK$'000
Current assets	**953,729**	1,004,740
Non-current assets	**243,023**	212,725
Current liabilities	**(922,776)**	(1,002,397)
Non-current liabilities	**(4,547)**	(4,316)
Equity attributable to owners of the Company	**188,548**	147,480
Non-controlling interests	**80,881**	63,272
Revenue	**2,471,916**	2,221,841
Expenses	**(2,430,707)**	(2,187,538)
Profit for the year	**41,209**	34,303
Profit attributable to owners of the Company	**28,846**	23,971
Profit attributable to non-controlling interests	**12,363**	10,332
Profit for the year	**41,209**	34,303
Total comprehensive income attributable to owners of the Company	**41,068**	20,158
Total comprehensive income attributable to non-controlling interests	**17,609**	7,486
Total comprehensive income for the year	**58,677**	27,644
Net cash inflow from operating activities	**19,673**	21,627
Net cash outflow from investing activities	**(18,765)**	(7,308)
Net cash (outflow) inflow from financing activities	**(4,618)**	2,665
Net cash (outflow) inflow	**(3,710)**	16,984

52 EVENTS AFTER REPORTING PERIOD

In addition to those disclosed in other notes to the consolidated financial statements, the following events took place subsequent to 31 December 2017:

The shareholders of the Company have approved the change of name of the Company from "Loudong General Nice Resources (China) Holdings Limited 樓東俊安資源（中國）控股有限公司" to "Silk Road Logistics Holdings Limited 絲路物流控股有限公司" at the special general meeting on 22 December 2017. The Registry of Companies in Bermuda and the Registrar of Companies in Hong Kong registered the new name "Silk Road Logistics Holdings Limited 絲路物流控股有限公司" on 4 January 2018 and 8 February 2018 respectively. The stock short name of the Company for trading in the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") changed from "LOUDONG GN RES 樓東俊安資源" to "SILKROAD LOG 絲路物流控股" on 28 February 2018.

53 COMPARATIVE FIGURES

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

Supplemental Information on Oil Exploring and Producing Activities (Unaudited)

31 December 2017

On 18 December 2014, the Company completed to acquire a group engaged in exploration and production of oil as well as provision of well services in the States of Illinois and Indiana in the USA at a consideration of HK$295,000,000. The Group's estimated net oil reserves for the year ended 31 December 2017 and 2016 are shown in the following table.

Proved oil reserves are those quantities of oil, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project with a reasonable time.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Net reserves exclude royalties and interests owned by others.

Reserve summary

Location	**2017 Light and Medium Oil MSTB**	2016 Light and Medium Oil MSTB
In the State of Illinois		
Proved	**694**	699
Probable	**1,080**	1,080
	1,774	1,779
In the State of Indiana		
Prove	**77**	79
Probable	**439**	439
	516	518
Total proved and probable	**2,290**	2,297

MSTB represents thousand of stock tank barrels of oil.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Revenue	**3,090,306**	2,561,245	1,569,903	5,825,864	3,105,949
Cost of sales and services	**(2,899,156)**	(2,504,340)	(1,495,216)	(5,186,775)	(2,457,945)
Gross profit	**191,150**	56,905	74,687	639,089	648,004
Other income and gains	**19,144**	34,865	29,620	65,874	99,691
Selling and distribution expenses	**(29)**	(122)	(118,887)	(170,015)	(69,827)
Administrative expenses	**(48,923)**	(40,218)	(85,818)	(70,155)	(193,394)
Other operating expenses	**–**	–	(4,185)	(39,965)	(10,444)
Impairment of property, plant and equipment	**–**	–	–	–	(1,956,745)
Impairment of investment in an associate and amount due from an associate	**–**	–	(354,488)	–	(75,731)
Impairment of goodwill	**(85,908)**	(29,238)	–	(56,400)	(330,083)
Impairment of oil properties	**(38,934)**	(13,614)	(72,145)	–	–
Impairment of trade receivables	**(235)**	(9,146)	(351,211)	(167,046)	(116,907)
Impairment of prepayments, deposits and other receivables	**–**	(2,876)	(39,825)	(177,336)	(299,714)
Share of losses of associates	**(1,909)**	(1,452)	(1,195)	–	–
Finance costs	**(64,107)**	(70,649)	(191,572)	(88,411)	(87,377)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(29,751)**	(75,545)	(1,115,019)	(64,365)	(2,392,527)
Income tax expense	**(44,516)**	(9.475)	(222,844)	(332,478)	(320,034)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(74,267)**	(85,020)	(1,337,863)	(396,843)	(2,712,561)
Discontinued operations					
Profit for the period from discontinued operations	**753,956**	(617,755)	–	–	–
PROFIT (LOSS) FOR THE YEAR	**679,689**	(702,775)	(1,337,863)	(396,843)	(2,712,561)

Five Year Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)			
PROFIT/(LOSS) FOR THE YEAR	**679,689**	(702,775)	(1,337,863)	(396,843)	(2,712,561)
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	**(24,055)**	21,533	14,970	(26,179)	(108,859)
Reclassification adjustments relating to foreign operations disposed of during the year	**(79,162)**	–	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(103,217)**	21,533	14,970	(26,179)	(108,859)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**576,472**	(681,242)	(1,322,893)	(423,022)	(2,821,420)
Loss for the year from continuing operations attributable to:					
Owners of the Company	**(91,336)**	(95,352)	–	–	–
Non-controlling interests	**17,069**	10,332	–	–	–
	(74,267)	(85,020)	–	–	–
Profit/(loss) attributable to:					
Owners of the Company	**670,520**	(679,007)	(1,291,990)	(376,988)	(2,581,507)
Non-controlling interests	**9,169**	(23,768)	(45,873)	(19,855)	(131,054)
	679,689	(702,775)	(1,337,863)	(396,843)	(2,712,561)
Total comprehensive income attributable to:					
Owners of the Company	**565,290**	(658,076)	(1,277,851)	(402,412)	(2,682,584)
Non-controlling interests	**11,182**	(23,166)	(45,042)	(20,610)	(138,836)
	576,472	(681,242)	(1,322,893)	(423,022)	(2,821,420)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**2,725,045**	5,091,549	4,049,987	4,341,782	4,148,376
TOTAL LIABILITIES	**(1,486,008)**	(4,886,668)	(3,748,483)	(3,354,643)	(3,029,615)
NON-CONTROLLING INTERESTS	**(80,886)**	(1,407)	31,213	(13,829)	(34,439)
	1,158,151	203,474	332,717	973,310	1,084,322