



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



2018

INTERIM REPORT 中期報告

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

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong
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E-mail: enquiry@srlhl.com

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
CONTINUING OPERATIONS			
REVENUE	5	2,666,517	1,752,519
Cost of sales and services	7	(2,678,978)	(1,718,551)
Gross (loss) profit		(12,461)	33,968
Other income and gains	5	1,908	9,411
Selling and distribution expenses		(22)	(15)
Administrative expenses		(28,850)	(24,124)
Share of (loss) profit of associates		(3,707)	780
Finance costs	6	(18,759)	(36,237)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	(61,891)	(16,217)
Income tax expense	8	(56)	(8,958)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(61,947)	(25,175)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	14	-	(9,247)
LOSS FOR THE PERIOD		(61,947)	(34,422)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(71,765)	12,450
- Continuing operations			
- Discontinued operations		-	2,535
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(133,712)	(19,437)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(Loss) profit for the period from continuing operations attributable to:			
Owners of the Company		(53,290)	(33,192)
Non-controlling interests		(8,657)	8,017
		(61,947)	(25,175)
(Loss) profit for the period attributable to:			
Owners of the Company		(53,290)	(41,939)
Non-controlling interests		(8,657)	7,517
		(61,947)	(34,422)
Total comprehensive income for the period attributable to:			
Owners of the Company		(124,280)	(27,106)
Non-controlling interests		(9,432)	7,669
		(133,712)	(19,437)
LOSS PER SHARE	10		
For continuing operations			
– Basic		(0.93) cents	(0.77) cents
– Diluted		N/A	N/A
For continuing and discounted operations			
– Basic		(0.93) cents	(0.97) cents
– Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	230,875	222,871
Prepaid land lease payments		53,885	55,390
Interests in associates		932,921	936,749
Goodwill		110,828	110,828
Oil properties		180,148	179,296
Total non-current assets		1,508,657	1,505,134
CURRENT ASSETS			
Inventories		1,571	1,409
Prepaid land lease payments		1,265	1,282
Trade receivables	12	542,080	208,157
Prepayments, deposits and other receivables		1,030,876	970,108
Cash and cash equivalents		29,759	18,663
Total current assets		1,605,551	1,199,619
Assets classified as held for sale	14	–	20,292
Total current assets		1,605,551	1,219,911
CURRENT LIABILITIES			
Trade payables	13	759,396	28,417
Other payables and accruals		665,034	888,574
Bank and other borrowings		144,954	144,551
Convertible bonds		295,816	289,553
Promissory notes payable		52,000	52,000
Obligations under finance lease		85	85
Income tax payable		5,097	7,019
Total current liabilities		1,922,382	1,410,199
Liabilities directly associated with assets classified as held for sale	14	–	1,801
Total current liabilities		1,922,382	1,412,000
NET CURRENT LIABILITIES		(316,831)	(192,089)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,191,826	1,313,045

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Obligations under finance lease		242	283
Bank and other borrowings		11,669	–
Assets retirement obligations		11,843	11,393
Deferred tax liabilities		62,566	62,332
Total non-current liabilities		86,320	74,008
Net assets		1,105,506	1,239,037
EQUITY			
Share capital	15	57,036	57,036
Reserves		977,016	1,101,115
Equity attributable to owners of the Company		1,034,052	1,158,151
Non-controlling interests		71,454	80,886
Total equity		1,105,506	1,239,037

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Equity Component of Convertible bonds HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Contribution surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2017 (audited)	43,099	1,082,509	4,158	66,356	128,171	688,569	773,090	(2,582,478)	203,474	1,407	204,881
Loss for the period	-	-	-	-	-	-	-	(41,939)	(41,939)	7,517	(34,422)
Other comprehensive income for the period:											
Exchange differences on transaction of foreign operations	-	-	-	-	14,833	-	-	-	14,833	152	14,985
Total comprehensive income for the period	-	-	-	-	14,833	-	-	(41,939)	(27,106)	7,669	(19,437)
Transfer of capital reserve	-	-	-	-	-	6,427	-	(6,427)	-	-	-
Share of reserve of an associate	-	-	587	-	-	-	-	-	587	-	587
Lapse of shares options	-	-	(1,441)	-	-	-	-	1,441	-	-	-
Balance at 30 June 2017 (unaudited)	43,099	1,082,509	3,304	66,356	143,004	694,996	773,090	(2,629,403)	176,955	9,076	186,031
Balance at 1 January 2018 (audited)	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
Loss for the period	-	-	-	-	-	-	-	(53,290)	(53,290)	(8,657)	(61,947)
Other comprehensive income for the period:											
Exchange differences on transaction of foreign operations	-	-	-	-	(70,990)	-	-	-	(70,990)	(775)	(71,765)
Total comprehensive income for the period	-	-	-	-	(70,990)	-	-	(53,290)	(124,280)	(9,432)	(133,712)
Share of reserve of an associate	-	-	181	-	-	-	-	-	181	-	181
Balance at 30 June 2018 (unaudited)	57,036	1,492,097	3,685	31,433	(48,049)	176,106	773,090	(1,451,346)	1,034,052	71,454	1,105,506

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operations	1,050	63,835
Income tax paid	(1,957)	(67,480)
Net cash used in operating activities	(907)	(3,645)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	18	157
Additions to property, plant and equipment, and oil property	(1,630)	(9,163)
Deposit for disposal of a subsidiary	–	6,742
Proceeds received from disposal of a subsidiary	5,155	–
Net cash flows generated by/(used in) investing activities	3,543	(2,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	11,712	111,315
Repayments of bank loans	–	(108,013)
Repayment of finance leases	(43)	(20)
Other financing activities	(2,636)	(67,318)
Net cash flows generated by/(used in) financing activities	9,033	(64,036)
Net increase/(decrease) in cash and cash equivalents	11,669	(69,945)
Cash and cash equivalents at 1 January	18,663	77,828
Effect of foreign exchange rate changes	(573)	9,076
Cash and cash equivalents at 30 June	29,759	16,959
Analysis of cash and cash equivalents		
Cash and bank balances		
– as stated in the condensed consolidated statement of financial position	29,759	15,496
– as stated in assets classified as held for sale	–	1,463
	29,759	16,959

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs and interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2017.

4. 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 components and review of these components' performance.

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

Continuing operation

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

Discontinued operation

The coke manufacturing segment is engaged in the production and sales of metallurgical coke from the coke plant.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement. There were no intersegment sales in the current period (2017: Nil).

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (continued) Six months ended 30 June 2018

	Continuing operations			
	Commodities trading segment HK\$'000 (unaudited)	Oil segment HK\$'000 (unaudited)	Logistics segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue				
Sales to external customers	2,659,742	2,855	3,920	2,666,517
Segment results	(27,779)	(1,478)	(3,889)	(33,146)
Reconciliation:				
Unallocated income and expense, net				(28,745)
Loss before tax				(61,891)
Segment assets	1,551,299	418,943	1,142,572	3,112,814
Reconciliation:				
Unallocated assets				1,394
Total assets				3,114,208
Segment liabilities	1,348,645	114,038	123,726	1,586,409
Reconciliation:				
Unallocated liabilities				422,293
Total liabilities				2,008,702
Other segment information				
Capital expenditure	-	1,188	14,765	15,953
Depreciation and amortisation	-	2,729	4,597	7,326
Unallocated depreciation and amortisation				171

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (continued) Six months ended 30 June 2017

	Continuing operations				Discontinued operations	
	Commodities trading segment HK\$'000 (unaudited)	Oil segment HK\$'000 (unaudited)	Logistics segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Coke manufacturing segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue						
Sales to external customers	1,750,061	1,757	701	1,752,519	896,037	2,648,556
Segment results	36,543	(3,234)	(1,555)	31,754	106,891	138,645
Reconciliation:						
Unallocated income and expense, net						(47,971)
Loss before tax						90,674
Segment assets	677,290	506,342	1,147,823	2,331,455	2,157,348	4,488,803
Reconciliation:						
Unallocated assets						68,340
Total assets						4,557,143
Segment liabilities	401,535	85,132	130,455	617,122	2,929,821	3,546,943
Reconciliation:						
Unallocated liabilities						824,169
Total liabilities						4,371,112
Other segment information						
Capital expenditure	-	1,008	4,426	5,434	3,086	8,520
Depreciation and amortisation	-	2,888	1,670	4,558	26,512	31,070
Unallocated depreciation and amortisation						171

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended	
	30 June 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited)
PRC	2,663,662	2,646,799
Other countries	2,855	1,757
	2,666,517	2,648,556

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

(b) Non-current assets

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
	PRC	979,724
USA	204,004	204,711
Other countries	214,101	211,988
	1,397,829	1,394,306

The above non-current asset information above is based on the location of the assets and exclude goodwill of approximately HK\$110,828,000 (31 December 2017: HK\$110,828,000).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

5. REVENUE, OTHER INCOME AND GAINS

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

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from:						
Sales of goods	2,662,596	1,751,818	-	896,037	2,662,596	2,647,855
Rendering of services	3,921	701	-	-	3,921	701
	2,666,517	1,752,519	-	896,037	2,666,517	2,648,556

An analysis of other income and gains is as follows:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income and gains						
Bank interest income	18	157	-	-	18	157
Exchange gains	830	-	-	-	830	-
Government grants	650	9,033	-	5,061	650	14,094
Investment income	-	-	-	223	-	223
Rental income	80	-	-	-	80	-
Reversal of impairment on property, plant and equipment	-	-	-	20,767	-	20,767
Sundry income	330	221	-	2	330	223
	1,908	9,411	-	26,053	1,908	35,464

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expenses, net of reimbursement on borrowings:						
Bank loans, overdrafts and other loans	3,075	2,262	-	44,228	3,075	46,490
Finance lease	2	-	-	-	2	-
Convertible bonds	15,682	32,322	-	-	15,682	32,322
Promissory notes payable	-	1,653	-	-	-	1,653
	18,759	36,237	-	44,228	18,759	80,465

7. PROFIT/LOSS BEFORE TAX

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

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	2,678,978	1,718,551	-	710,930	2,678,978	2,429,481
Staff costs (including directors' remuneration)	7,976	5,440	-	14,330	7,976	19,770
Depreciation of property, plant and equipment	5,591	2,911	-	25,567	5,591	28,478
Amortisation of prepaid land lease payments	817	681	-	944	817	1,625
Amortisation of oil properties	1,089	1,138	-	-	1,089	1,138
Minimum lease payments under operating leases in respect of land and buildings	1,735	-	-	-	1,735	-
Loss on disposal of items of property, plant and equipment	-	3	-	-	-	3

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

8. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong profits tax	-	-	-	-	-	-
PRC corporate income tax	56	10,883	-	116,138	56	127,021
	56	10,883	-	116,138	56	127,021
Deferred tax	-	(1,925)	-	-	-	(1,925)
Total tax charge for the period	56	8,958	-	116,138	56	125,096

No provision for Hong Kong profits tax has been made as the entities in the Group have no assessable profits arising in Hong Kong for both of the periods presented. Under the Corporate Income Tax Law of the People's Republic of China (the "PRC"), the PRC corporate income tax is calculated at a rate of 25% (2017: 25%) on the Group's estimated assessable profits arising in the PRC for the six months ended 30 June 2018. Tax on the assessable profits arising in the United States of America ("USA") is calculated at the rate of 34% (2017: 34%) for the six months ended 30 June 2018, however, no such income tax has been provided as the Group did not generate any assessable profits arising in the USA.

9. DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

10. LOSS PER SHARE

Basic loss per share

(i) For continuing operations

The calculation of basic loss per share is based on the loss for the period from continuing operations attributable to ordinary equity holders of the Company of approximately HK\$53,290,000 (six months ended 30 June 2017: HK\$33,192,000) and 5,703,616,000 (six months ended 30 June 2017: 4,309,887,000) ordinary shares in issue during the period.

(ii) For continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the period from continuing and discontinued operations attributable to ordinary equity holders of the Company of approximately HK\$53,290,000 (six months ended 30 June 2017: HK\$41,939,000) and 5,703,616,000 (six months ended 30 June 2017: 4,309,887,000) ordinary shares in issue during the period.

Diluted loss per share

As the Group sustained a loss for both of the periods presented, diluted loss per share for these periods are not presented as the effects of potential shares issuable arising from the exercise of the share options and the conversion of the convertible bonds are regarded anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment with a cost of approximately HK\$15,953,000 (for the six months ended 30 June 2017: approximately HK\$8,520,000). Depreciation for items of property, plant and equipment was approximately HK\$5,591,000 for the period (six months ended 30 June 2017: approximately HK\$28,478,000).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

12. TRADE RECEIVABLES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Trade receivables	613,998	280,578
Less: Impairment of trade receivables	(71,918)	(72,421)
	542,080	208,157

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 is generally three months for the customers in the coke manufacturing segment and commodities trading segment; and one month for the customers in the oil segment. Overdue balances are reviewed regularly by senior management.

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Not more than 30 days	91,790	191,813
31-60 days	246,356	160
61-90 days	233	43
91-365 days	691	260
Over one year	274,928	88,302
	613,998	280,578

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

12. TRADE RECEIVABLES (continued)

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
At beginning of the period/year	72,421	973,076
Impairment losses recognised	–	1,074
Reversal of impairment losses	–	(14,056)
Eliminated of disposal of subsidiaries	–	(936,432)
Exchange realignment	(503)	48,759
At end of the period/year	71,918	72,421

13. TRADE AND BILLS PAYABLES

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Not more than 30 days	49,509	2,736
31-60 days	128	11
61-90 days	406,603	–
91-365 days	277,808	–
Over one year	25,348	25,670
	759,396	28,417

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

14. DISCONTINUED OPERATIONS AND THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 26 June 2017, the Group entered into an agreement with Champ Noble Limited (the “Purchaser”), pursuant to which the Group agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Buddies Power Enterprises Limited (“Buddies Power”) (a wholly owned subsidiary of the Company) for a cash consideration of HK\$8,000,000. Buddies Power is an investment holding company and effectively owns 94.48% equity interest in Shanxi Loudong-General Nice Coking & Gas Co., Ltd. (“Shanxi Loudong”). As at that date, the Group discontinued its operations of (i) coal processing and production of metallurgical coke and by-products; and (ii) the trading of metallurgical coke which were undertaken by Shanxi Loudong. Completion of the disposal of Buddies Power took place on 29 September 2017.

The results of the discontinued operations for the period are as follows:

	Notes	30 June 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited) (restated)
Revenue	5	-	896,037
Cost of sales and services	7	-	(710,930)
Gross profit		-	185,107
Other income and gains	5	-	26,053
Selling and distribution expenses		-	(43,999)
Administrative expenses		-	(15,588)
Other operating expenses		-	(454)
Finance costs	6	-	(44,228)
Profit before tax from discontinued operations	7	-	106,891
Income tax expense	8	-	(116,138)
Loss for the period from discontinued operations		-	(9,247)
Loss attributable to:			
Owners of the Company		-	(8,747)
Non-controlling interests		-	(500)
		-	(9,247)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
<i>Authorised</i>		
At 31 December 2017 and 30 June 2018	200,000,000,000	2,000,000
<i>Issued and fully paid</i>		
At 31 December 2017 and 30 June 2018	5,703,615,592	57,036

16. 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:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within one year	1,866	2,104
In the second to fifth years, inclusive	4,484	4,762
After five years	21,843	22,731
	28,193	29,597

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the period was as follow:

	For the six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short term employee benefits	2,751	1,758
Post-employment benefits	27	27
Total compensation paid to key management personnel	2,778	1,785

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

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

There is no significant event subsequent to the end of the reporting period.

General Information

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2018, the Group recorded revenue and loss attributable to the owners of the Company of HK\$2,666,517,000 and HK\$53,290,000, compared with that of HK\$1,752,519,000 and HK\$33,192,000 from the continuing operations in the corresponding period in 2017, representing an increase of 52% and 61% respectively. The increase in revenue was contributed by Tianjin Property Qian'an Logistics Company Limited (天津物產遷安物流有限公司), a non-wholly owned subsidiary of the Company. However, due to the unfavourable price movement of the commodities, the Group resulted with an increase in loss from the trading sector.

BUSINESS REVIEW

In the second half of 2017, the Group successfully disposed the coal processing and metallurgical coke manufacturing business through the disposal of Buddies Power Enterprises Limited and its subsidiaries (the "Disposal"), which mitigate the financial pressure of the Group from this continued loss-making business with unfavourable prospect. In early 2018, the Company changed its name from Loudong General Nice Resources (China) Holdings Limited to Silk Road Logistics Holdings Limited which could better reflect the future business plans and development of the Group and provide the Company with a more appropriate corporate image and identity. The Company could now focus on the stable and profitable warehouse and logistics business. Even though the trading business recorded a loss in the first half of 2018, it was turnaround to become profitable in July. This reflected that the Group was on the right track to concentrate its resources in the stable and profitable sectors—trading, warehouse logistics and supply chain business.

In the first half of 2018, the oil segment continued the trend in 2017. The international WTI crude oil price consistently maintained at an average of US\$62-70 per barrel, resulting in a modest profit contribution from the Company's 30%-owned associate, RockEast Energy Corp. However, due to the high maintenance costs of the ageing wells, the Group's US oil operation unit remained in the red despite improving oil price in the reporting period. The Group will closely monitor the profitability of these oil assets, and re-assess the segment's business outlook to formulate the best possible asset strategy to the Group in the short to medium term.

The debtor's turnover day of the Group for the six months ended 30 June 2018 was 26 days compared with 66 days for the six months ended 30 June 2017. 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.

General Information

OUTLOOK

With the disposal of its metallurgical coke manufacturing business, the Group has realigned its resources to focus in strengthening an integrated trading, warehouse and logistics business model. Such integrated business is well-placed to benefit the Group in line with the PRC Government policy given the strategic locations of our investments and infrastructure built in Hebei and Inner Mongolia along the Belt and Road corridor.

In addition, the Group will cooperate with business partners to bolster its commodities trading business, on top of the warehouse and logistics infrastructures. Through the support of our strategic State-owned investor, Tewoo Group Co. Ltd (天津物產集團有限公司) ("Tewoo"), the Group will enlarge the workforce and cooperation with Tewoo to become one of the China's leading players in the commodities trading business.

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 order to achieve our goal as a prominent player in commodities and resources sectors, the Group is constantly reviewing different options of further collaborations with existing and new strategic investors to capitalize on market opportunities to maximize return to shareholders.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 30 June 2018, the Group had total interest bearing bank and other borrowings are in the amount of approximately HK\$156,623,000 (31 December 2017: HK\$144,551,000), representing an increase of HK\$12,072,000. The Group's interest bearing bank and other borrowings of HK\$144,954,000 and HK\$11,669,000 are repayable within one year and within two to five years respectively.

The Group's total interest bearing bank and other borrowings of approximately 68% are denominated in Renminbi ("RMB") and 32% are denominated in HK\$ are both charged at floating interest rates. The Group's cash and bank balances of approximately HK\$29,759,000 were 83% denominated in RMB, 1% in USD and 16% in HK\$.

As at 30 June 2018, the Group had total convertible bonds with the aggregate principal amount of approximately HK\$300,000,000 (31 December 2017: HK\$300,000,000), which are redeemable in 2018. The convertible bonds are denominated in HK\$ and bear interest at fixed interest rate of 6% per annum.

General Information

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

EMPLOYEES

As at 30 June 2018, the total number of employees of the Group was approximately 55 (31 December 2017: 60). 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. The Group also 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's operation. Subsequent to the lapse of the old share option scheme on 25 June 2017, the Company adopted a new share option scheme on 30 June 2017. As at 30 June 2018 and 31 December 2017, there were no outstanding share options granted under such scheme.

CHARGE OF GROUP ASSETS

As at 30 June 2018, a property with a carrying value of approximately HK\$12,647,000 (31 December 2017: HK\$13,030,000) are pledged as securities for the Group's banking facilities.

GEARING RATIO

As at 30 June 2018, the overall gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 33% (31 December 2017: approximately 29%). Net debt represents the aggregate amount of the Group's bank and other borrowings, promissory notes payable the non-current portion of the amount loans due to related parties and convertible bonds less cash and cash equivalents of the Group. Total capital represents total equity attributable to owners of the Company.

General Information

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 30 June 2018 (2017: Nil).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

General Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2018, 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 positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares	Nature of Interest	Total	Approximate percentage of the issued share capital
Mr. Zhao Cheng Shu	5,438,150	Personal interests	5,438,150	0.10%
Ms. Choy So Yuk	271,908	Personal interests	271,908	0.01%
Mr. Leung Yuen Wing	224,213	Personal interests	224,213	0.01%
Mr. Cai Jianjun	10,000,000	Family interests	10,000,000	0.18%

Save as disclosed above, as at 30 June 2018, 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 options" in this report, at no time during the period under review, was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

General Information

SHARE OPTIONS SCHEME

The Company adopted a share option scheme on 30 June 2017 (the "Share Option Scheme") for the purpose of providing incentives to Participants (as defined in the Share Option Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

As at 1 January 2018 and 30 June 2018, there was no outstanding share option. During the period, no share options were granted, cancelled, lapsed or exercised.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 30 June 2018, 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 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	1,703,728,222(L) (Note 1)	29.87%
Xinya Global Limited 新亞環球有限公司	Beneficial owner	Corporate interests	1,194,675,732(L) (Note 2)	20.95%
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%

General Information

Long 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
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%

Notes:

- China Huarong Investment Management Limited is interested in 1,703,728,222 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.
- 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. Tewoo 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 Tianjin Guo Xiang Asset Management Limited. Each of Tianjin Yi Qing Asset Management Limited and Tianjin Guo Xiang 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 30 June 2018, 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.

General Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018, except 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. Mr. Ding Zhiyi acted as the chairman and the chief executive officer of the Company since 1 November 2017. The Board considers that vesting the roles of both chairman and chief executive officer in the same 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 executive Directors, non-executive Directors and independent non-executive Directors. 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 independent non-executive Directors namely, Ms. Choy So Yuk and Mr. Leung Yuen Wing were not appointed for a specific term. However, all Directors are subject to the retirement provisions in the Bye-laws of the Company which provides that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provisions A.6.7

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. The independent non-executive Directors, Mr. Zhu Dengkai, Mr. Leung Yuen Wing, Ms. Choy So Yuk and Mr. Liu Wei had not attended the annual general meeting held on 1 June 2018 as they were not in Hong Kong or due to other commitments which must be attended to by them.

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. As additional time was required to prepare the board papers, the board papers were not sent to all Directors 3 days before the meeting.

General Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018.

CHANGE OF INFORMATION OF DIRECTORS

Mr. Ng Tze For, an executive Director ceased to act as an alternate director of a non-executive director of IRC Limited ("IRC", a company listed on The Stock Exchange of Hong Kong Limited) in January 2018 and acted as a non-executive director of IRC from January 2018 to June 2018.

Mr. Wu Zhao ceased to act as a director and the licensed representative of type 1 (Dealings in Securities) and type 4 (Advising on Securities) license of a fund management company from July 2018.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely, Mr. Leung Yuen Wing (chairman), Ms. Choy So Yuk, Mr. Wu Zhao and Mr. Zhu Dengkai. The Interim Report of the Group for the six months ended 30 June 2018 has not been audited or reviewed by the Company's auditors but has been reviewed by the Audit Committee.

On behalf of the Board

Ding Zhiyi

Chairman and Chief Executive Officer

Hong Kong, 30 August 2018

* The English translation of the Chinese names are for identification purpose only.