



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



2019
INTERIM
REPORT
中期報告

Corporate Information

EXECUTIVE DIRECTORS

Cai Jianjun (*Chairman*)
Wang Xiusong
Zhang Rui

NON-EXECUTIVE DIRECTOR

Zhou Hao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy So Yuk, *BBS, JP*
Leung Yuen Wing
Wu Zhao
Zhu Dengkai
Liu Wei
Zou Mingwu

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

Liu Wei (*Chairman*)
Wang Xiusong
Choy So Yuk, *BBS, JP*
Leung Yuen Wing
Zhu Dengkai
Wu Zhao

EXECUTIVE COMMITTEE

Cai Jianjun (*Chairman*)
Wang Xiusong
Zhang Rui

AUTHORISED REPRESENTATIVES

Wang Xiusong
Chiu Yuk Ching

CHIEF EXECUTIVE OFFICER

Fang Gang

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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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, 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
Bank of Communications Co., Ltd.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
REVENUE	5	4,735,794	2,666,517
Cost of sales and services	7	(4,683,757)	(2,678,978)
Gross profit (loss)		52,037	(12,461)
Other income and gains	5	20,255	1,908
Selling and distribution expenses		(99)	(22)
Administrative expenses		(37,479)	(28,850)
Share of profit (loss) of associates		1,604	(3,707)
Finance costs	6	(15,334)	(18,759)
PROFIT (LOSS) BEFORE TAX	7	20,984	(61,891)
Income tax expense	8	(7,673)	(56)
PROFIT (LOSS) FOR THE PERIOD		13,311	(61,947)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		3,878	(71,765)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		17,189	(133,712)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

		Six months ended 30 June	
	Note	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<hr/>			
Profit (loss) for the period attributable to:			
Owners of the Company		5,640	(53,290)
Non-controlling interests		7,671	(8,657)
		13,311	(61,947)
<hr/>			
Total comprehensive income for the period attributable to:			
Owners of the Company		9,685	(124,280)
Non-controlling interests		7,504	(9,432)
		17,189	(133,712)
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EARNINGS (LOSS) PER SHARE	10		
– Basic		0.10 cents	(0.93) cents
– Diluted		N/A	N/A
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Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	195,992	202,333
Prepaid land lease payments		–	50,811
Interests in associates		739,449	737,846
Goodwill		102,988	102,988
Oil properties		144,726	145,175
Right-of-use assets		68,599	–
Total non-current assets		1,251,754	1,239,153
CURRENT ASSETS			
Inventories		631	567
Prepaid land lease payments		–	1,482
Trade receivables	12	705,581	612,590
Prepayments, deposits and other receivables		733,711	855,106
Income tax recoverable		7,171	7,173
Cash and cash equivalents		326,336	43,579
Total current assets		1,773,430	1,520,497
Assets classified as held for sale		–	12,688
Total current assets		1,773,430	1,533,185
CURRENT LIABILITIES			
Trade payables	13	708,398	708,494
Other payables and accruals		1,042,425	809,352
Bank and other borrowings		399,679	414,412
Promissory notes payable		52,000	52,000
Obligations under finance lease		86	86
Income tax payable		8,072	4,528
Total current liabilities		2,210,660	1,988,872
NET CURRENT LIABILITIES		(437,230)	(455,687)
TOTAL ASSETS LESS CURRENT LIABILITIES		814,524	783,466

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Obligations under finance lease		154	197
Lease liabilities		14,594	–
Assets retirement obligations		12,447	12,053
Deferred tax liabilities		31,168	32,077
Total non-current liabilities		58,363	44,327
Net assets		756,161	739,139
EQUITY			
Share capital	14	57,036	57,036
Reserves		609,824	600,306
Equity attributable to owners of the Company		666,860	657,342
Non-controlling interests		89,301	81,797
Total equity		756,161	739,139

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 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
Balance at 1 January 2019 (audited)	57,036	1,492,097	3,672	-	(24,678)	178,168	773,090	(1,822,043)	657,342	81,797	739,139
Loss for the period	-	-	-	-	-	-	-	5,640	5,640	7,671	13,311
Other comprehensive income for the period:											
Exchange differences on transaction of foreign operations	-	-	-	-	3,878	-	-	-	3,878	(167)	3,711
Total comprehensive income for the period	-	-	-	-	3,878	-	-	5,640	9,518	7,504	17,022
Balance at 30 June 2019 (unaudited)	57,036	1,492,097	3,672	-	(20,800)	178,168	773,090	(1,816,403)	666,860	89,301	756,161

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operations	290,075	1,050
Income tax paid	(3,469)	(1,957)
Net cash generated by/(used in) operating activities	286,606	(907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1	18
Additions to property, plant and equipment, and oil property	–	(1,630)
Proceeds received from disposal of a subsidiary	–	5,155
Net proceeds received from disposal of assets classified as held for sale	30,737	–
Other investing activities	(724)	–
Net cash generated by investing activities	30,014	3,543
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	–	11,712
Repayments of bank loans	(14,743)	–
Repayment of finance leases	(44)	(43)
Other financing activities	(14,014)	(2,636)
Net cash (used in)/generated by financing activities	(28,801)	9,033
Net increase in cash and cash equivalents	287,819	11,669
Cash and cash equivalents at 1 January	43,579	18,663
Effect of foreign exchange rate changes	(5,062)	(573)
Cash and cash equivalents at 30 June	326,336	29,759
Analysis of cash and cash equivalents		
Cash and bank balances included in cash and cash equivalents as stated in the condensed consolidated statement of financial position	326,336	29,759

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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 assets, which are measured at revalued amounts or fair values, as appropriate.

(a) Changes in accounting policies and disclosures

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current period had not resulted in significant impact on the Group's condensed consolidated interim financial information.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies and disclosures (continued)

HKFRS 16 Leases

Impacts on transition

Leases liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
 - Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- (i) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK\$'000 (unaudited)
Assets	
Increase in right-of-use assets	65,686
Decrease in prepaid land lease payments	(52,293)
Increase in total assets	13,393
Liabilities	
Increase in other payables and accruals	1,038
Increase in lease liabilities	12,355
Increase in total liabilities	13,393

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies and disclosures (continued)

- (ii) Nature of the effect of adoption of HKFRS 16
The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	HK\$'000 (unaudited)
Operating lease commitments as at 31 December 2018	25,807
Weighted average incremental borrowing rate as at 1 January 2019	6.98%
Discounted operating lease commitments as at 1 January 2019	13,574
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(181)
Lease liabilities as at 1 January 2019	13,393

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies and disclosures (continued)

(ii) Nature of the effect of adoption of HKFRS 16 (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies and disclosures (continued)

(iii) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets HK\$'000 (unaudited)	Lease liabilities and other payables HK\$'000 (unaudited)
At as 1 January 2019	65,686	13,393
Additions	5,332	4,608
Depreciation charge	(2,414)	–
Interest expense	–	595
Payments	–	(1,468)
Exchange realignment	(5)	(5)
As at 30 June 2019	68,599	17,123

(b) Hong Kong Financial Reporting Standards issued but 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 condensed consolidated financial statements:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹
HKFRS 3 (Amendments)	Definition of a Business ¹
HKFRS 17	Insurance Contracts ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture ³

¹ Effective for accounting periods beginning on or after 1 January 2020

² Effective for accounting periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2018.

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 follows:

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. OPERATING SEGMENT INFORMATION (continued) Six months ended 30 June 2019

	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	4,733,356	476	1,962	4,735,794
Segment profit/(loss)				
	34,091	(3,158)	1,627	32,560
Reconciliation:				
Unallocated income and expense, net				(11,576)
Profit before tax				20,984
Other segment information				
Capital expenditure	-	-	-	-
Depreciation and amortisation	-	1,686	5,927	7,613
Unallocated depreciation and amortisation				1,333
Six months ended 30 June 2018				
	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 loss				
	(27,779)	(1,478)	(3,889)	(33,146)
Reconciliation:				
Unallocated income and expense, net				(28,745)
Loss before tax				(61,891)
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 2019

4. OPERATING SEGMENT INFORMATION (continued) At 30 June 2019

	Commodities trading segment HK\$'000 (unaudited)	Oil segment HK\$'000 (unaudited)	Logistics segment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment assets	1,278,872	185,516	1,113,726	2,578,114
Reconciliation:				
Unallocated assets				447,070
Total assets				3,025,184
Segment liabilities	1,660,627	43,753	29,424	1,733,804
Reconciliation:				
Unallocated liabilities				535,219
Total liabilities				2,269,023

At 31 December 2018

	Commodities trading segment HK\$'000 (audited)	Oil segment HK\$'000 (audited)	Logistics segment HK\$'000 (audited)	Total HK\$'000 (audited)
Segment assets	1,466,229	267,965	888,398	2,622,592
Reconciliation:				
Unallocated assets				149,746
Total assets				2,772,338
Segment liabilities	1,409,404	42,901	49,125	1,501,430
Reconciliation:				
Unallocated liabilities				531,769
Total liabilities				2,033,199

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
PRC	4,735,318	2,663,662
Other countries	476	2,855
	4,735,794	2,666,517

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

(b) Non-current assets

	Six months ended 30 June 2019 HK\$'000 (unaudited)	Year ended 31 December 2018 HK\$'000 (audited)
	PRC	729,474
USA	199,659	201,681
Other countries	219,633	216,526
	1,148,766	1,136,165

The above non-current asset information above is based on the location of the assets and exclude goodwill of approximately HK\$102,988,000 (31 December 2018: HK\$102,988,000).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from:		
Sales of goods	4,731,982	2,662,596
Rendering of services	3,812	3,921
	4,735,794	2,666,517

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income and gains		
Bank interest income	1	18
Exchange gains	–	830
Gain on disposal of asset held for sale	18,049	–
Government grants	1,373	650
Rental income	–	80
Sundry income	832	330
	20,255	1,908

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses, net of reimbursement on borrowings:		
Bank loans, overdrafts and other loans	3,428	3,075
Finance lease	1	2
Convertible bonds	–	15,682
Lease liabilities	595	–
Other borrowings	11,310	–
	15,334	18,759

7. PROFIT (LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	4,683,757	2,678,978
Staff costs (including directors' remuneration)	8,772	7,976
Depreciation of property, plant and equipment	5,153	5,591
Depreciation of right-of-use assets	2,414	–
Amortisation of prepaid land lease payments	–	817
Amortisation of oil properties	1,379	1,089
Lease payments under short term leases	181	–
Minimum lease payments under operating leases in respect of land and buildings	–	1,735

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong profits tax	–	–
PRC corporate income tax	8,522	56
USA income tax	–	–
	8,522	56
Overprovision in prior periods	(849)	–
	7,673	56
Current tax	7,673	56
Deferred tax	–	–
	7,673	56
Total tax charge for the period	7,673	56

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% (2018: 25%) on the Group's estimated assessable profits arising in the PRC for the six months ended 30 June 2019. Tax on the assessable profits arising in the United States of America ("USA") is calculated at the rate of 21% (six months ended 30 June 2018: 34%), however, no such income tax has been provided for the current period as the Group did not generate any assessable profits arising in the USA.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

9. DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$5,640,000 (six months ended 30 June 2018: loss attributable to ordinary equity holders of the Company of approximately HK\$53,290,000) and approximately 5,703,616,000 (six months ended 30 June 2018: approximately 5,703,616,000) ordinary shares in issue during the period.

Diluted earnings (loss) per share

No diluted earnings per share is presented for the current period as there are no potential ordinary shares in issue during the period.

As the Group sustained a loss for the six months ended 30 June 2018, diluted loss per share for that period is 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\$ Nil (six months ended 30 June 2018: approximately HK\$15,953,000). Depreciation for items of property, plant and equipment for the period amounted approximately HK\$5,153,000 (six months ended 30 June 2018: approximately HK\$5,591,000).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. TRADE RECEIVABLES

	Six months ended 30 June 2019 HK\$'000 (unaudited)	Year ended 31 December 2018 HK\$'000 (audited)
Trade receivables	807,158	714,180
Less: Impairment of trade receivables	(101,577)	(101,590)
	705,581	612,590

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted by the Group to its customers generally ranged from one to three months. Overdue balances are reviewed regularly by senior management.

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

	Six months ended 30 June 2019 HK\$'000 (unaudited)	Year ended 31 December 2018 HK\$'000 (audited)
Not more than 30 days	142,658	612,477
31-60 days	8	20
61-90 days	59,953	286
91-365 days	503,388	253
Over one year	101,151	101,144
	807,158	714,180

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. TRADE RECEIVABLES (continued)

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

	Six months ended 30 June 2019 HK\$'000 (unaudited)	Year ended 31 December 2018 HK\$'000 (audited)
At beginning of the period/year	101,590	72,421
Impairment losses recognised	-	92,955
Written off during the period/year	-	(62,553)
Exchange realignment	(13)	(1,233)
At end of the period/year	101,577	101,590

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:

	Six months ended 30 June 2019 HK\$'000 (unaudited)	Year ended 31 December 2018 HK\$'000 (audited)
Not more than 30 days	341,925	655,637
31-60 days	340,955	46
61-90 days	212	138
91-365 days	797	28,315
Over one year	24,509	24,358
	708,398	708,494

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 2019

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	HK\$'000
<i>Authorised</i>		
At 31 December 2018 and 30 June 2019	200,000,000,000	2,000,000
<i>Issued and fully paid</i>		
At 31 December 2018 and 30 June 2019	5,703,615,592	57,036

15. 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.

The Group is the lessee in respect of a number of properties for the office and logistic purposes, which are held under leases previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 HK\$'000 (audited)
Within one year	1,038
In the second to fifth years, inclusive	4,359
After five years	20,410
	25,807

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term employee benefits	2,735	2,751
Post-employment benefits	20	27
Total compensation paid to key management personnel	2,755	2,778

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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

(b) Reconciliation of Level 3 fair value measurement

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

18. EVENT AFTER THE END OF THE INTERIM PERIOD

On 5 July 2019, an agreement was signed between the Company and Wise Perfection Limited for settlement of the outstanding promissory notes amounted to HK\$52,000,000 together with the unsettled interest by instalments. The last repayment will be made in May 2024.

General Information

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK\$4,735,794,000, compared with that of HK\$2,666,517,000 for the corresponding period in 2018, while the profit attributable to the owners of the Company is approximately HK\$5,640,000 for the period, compared with the loss attributable to the owners of the Company of approximately HK\$53,290,000 for the corresponding period in 2018. The turnaround from loss to profit in this period is because of the better performance in trading sector contributed by Silk Road Logistics (Qian'an) Company Limited (絲路物流(遷安)有限公司) ("Qian'an Logistics"), a non-wholly owned subsidiary of the Company. In addition, a one-off gain from the disposal of the headquarter office was recognized in this period.

BUSINESS REVIEW

In the first half of 2019, benefited by the contribution of the commodities trading segment, the Group resulted with a profit. This was contributed by the Company's major subsidiary, Qian'an Logistics. Revenue from trading segment amounted to approximately HK\$4,731,982,000 for the six months ended 30 June 2019, rose 78% from about HK\$2,659,742,000 for the six months ended 30 June 2018. In addition, Qian'an Logistics also contributed profit of about HK\$25,569,000 for the six months ended 30 June 2019, compared with a loss of HK\$25,694,000 for the corresponding period in 2018.

Thus, to sustain the profitability of the Group, it continues to emphasize on its strategy to develop the core businesses, which are commodities trading, logistics and warehousing, and oil exploration and production. However, the tightened environment protection policies and control on commodities production by the PRC Government might increase the Group challenges on future profitability.

In January 2019, the Group completed the disposal of the headquarter office at cash consideration of HK\$30,993,160, and resulted with a one-off gain of approximately HK\$18,049,000.

The debtor's turnover day of the Group for the six months ended 30 June 2019 was 25 days compared with 26 days for the six months ended 30 June 2018. It is in line with the credit period of the Group assign to the customers. In future, the Group will maintain its strict credit policy to customers with more emphasis on repayment quality. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. For the adoption of new HKFRS 9, the Group has measured the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. The management will continue to closely monitor the credit qualities and the collectability of the trade receivables.

General Information

OUTLOOK

Due to the unpredictable situation of escalating Sino-US trade friction and unstable political environment in Hong Kong, it will be a challenging year in 2019.

To face the challenges, the Group will co-incidence with the strategies of One Belt One Road policies launched by the PRC Government, to explore different opportunities to acquire quality logistic and warehousing assets in China and overseas. This will enrich and expand our resources in this segment, and get in line with the PRC Government policies to earn considerable returns in future.

Benefited from the cooperation a State-owned investor, Tewoo Group Co. Ltd (“Tewoo”), the commodities trading business was further increased in this period. Apart from the continuation of maintaining the business relation with Tewoo, the Group will seek for more opportunities to enlarge its commodities trading business.

In January 2019, the Company, Kunlun Energy Company Limited and Noble Bridge Capital (Hong Kong) Limited have agreed to form a joint venture company (the “Joint Venture Company”) for conducting liquefied natural gas related business. The Group, through its 40% equity interest in the Joint Venture Company, cooperates with joint venture partners to bolster its natural gas energy business and through the support of this strategic partner, Kunlun Energy Company Limited, the Group will reinforce the Group’s strength in investment and operation in the energy sector and also expect the Joint Venture Company would bring long-term and stable returns for the shareholders. Through this cooperation, the Group could explore a new business segment in conducting LNG related businesses. This could help to diversify the business risk, so as to increase the shareholders’ wealth.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 30 June 2019, the Group had total interest-bearing bank and other borrowings for the continued operations in the amount of approximately HK\$399,679,000 (31 December 2018: HK\$414,412,000), representing a decrease of HK\$14,733,000. The Group’s interest-bearing bank and other borrowings are repayable within one year.

The Group’s total interest-bearing bank and other borrowings of approximately HK\$28,449,000 denominated in Renminbi (“RMB”) is charged at floating interest rates, and HK\$371,230,000 denominated in HK\$ is charge at fixed rate. The Group’s cash and bank balances of the continued operations of approximately HK\$326,336,000 were 99% denominated in RMB, 0% in USD and 1% in HK\$.

As at 30 June 2019, the convertible bonds with the aggregate principal amount of HK\$300,000,000 matured in 2018 was become an other borrowing as it is not redeemed at maturity date. Combining the unsettled interests, the total amount of this other borrowings was approximately HK\$347,309,000. This other borrowing (30 June 2018: the convertible bond amounted to HK\$300,000,000) is 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 year under review, there was no material acquisition or disposal of subsidiaries and affiliated companies.

EMPLOYEES

As at 30 June 2019, the total number of employees of the Group was approximately 50 (31 December 2018: 50). 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 30 June 2019 and 31 December 2018, there were no outstanding share options granted under the new scheme.

CHARGE OF GROUP ASSETS

As at 30 June 2019, there was no charge of assets for the Group (31 December 2018: a property with a carrying value of approximately HK\$12,688,000 was pledged as securities for the Group's banking facilities).

GEARING RATIO

As at 30 June 2019, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 49% (31 December 2018: approximately 33%). 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 30 June 2019 (2018: Nil).

General Information

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2019, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

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

Name of Director	Number of ordinary shares	Nature of Interest	Total	Approximate percentage of the issued share capital
Mr. Cai Jianjun ("Mr. Cai")	10,000,000(L) 1,703,728,222(L) (Note)	Family interests Corporate interests	1,713,728,222(L)	30.05%
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%

L – Long position

S – Short position

Note:

Pursuant to the put option deed (the "Put Option Deed") entered into between China Yangtze River Petrochemical Group Limited ("Yangtze River"), a company controlled by Mr. Cai, and China Huarong Investment Management Limited ("Huarong Investment"), being a substantial shareholder of the Company, Huarong Investment may put any or all of these 1,703,728,222 shares to Yangtze River.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

General Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTIONS SCHEME

The Company adopted 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 2019 and 30 June 2019, 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 2019, 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	1,703,728,222(L and S) (Note 1)	29.87%
China Huarong Asset Management Co., Ltd. 中國華融資產管理股份有限公司	Interest of controlled corporation	Corporate interests	1,703,728,222(L and S) (Note 1)	29.87%
Yuan Jing	Beneficial owner	Personal interests	10,000,000(L)	0.18%
	Family interest	Corporate interests	1,703,728,222(L) (Note 2)	29.87%
			<hr/> Total: 1,713,728,222(L)	30.05%

General Information

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

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
Yangtze River	Beneficial owner	Corporate interests	1,703,728,222(L) (Note 2)	29.87%
Xinya Global Limited 新亞環球有限公司	Beneficial owner	Corporate interests	438,224,120(L) (Note 3)	7.68%
Tewoo Import & Export (HK) Limited	Interest of controlled corporation	Corporate interests	438,224,120(L) (Note 3)	7.68%
Tianjin Tian Yuen Investment Limited* 天津天源投資有限公司	Interest of controlled corporation	Corporate interests	438,224,120(L) (Note 3)	7.68%
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	438,224,120(L) (Note 3)	7.68%
Tewoo Group (Hong Kong) Limited	Interest of controlled corporation	Corporate interests	438,224,120(L) (Note 3)	7.68%
Tewoo Group Co., Ltd.* 天津物產集團有限公司	Interest of controlled corporation	Corporate interests	438,224,120(L) (Note 3)	7.68%
Tianjin Guo Xiang Asset Management Limited* 天津國翔資產管理有限公司	Interest of controlled corporation	Corporate interests	438,224,120(L) (Note 3)	7.68%
Tianjin Guo Xing Asset Operation Limited* 天津國興資本運營有限公司	Interest of controlled corporation	Corporate interests	438,224,120(L) (Note 3)	7.68%
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	438,224,120(L) (Note 3)	7.68%
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	438,224,120(L) (Note 3)	7.68%

General Information

L – Long position

S – Short position

Notes:

1. Huarong Investment is interested in these 1,703,728,222 shares. China Huarong owns 100% of Huarong Investment and is deemed to be interested in the shares held by Huarong Investment, 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.

Pursuant to the Put Option Deed, Huarong Investment may put any or all of these 1,703,728,222 shares to Yangtze River.
2. Pursuant to the Put Option Deed Huarong Investment may put any or all of these 1,703,728,222 shares held by it to Yangtze River, which is controlled by Mr. Cai, the spouse of Ms. Yuen Jing. Ms Yuen Jing is deemed to have interest in these shares.
3. These interests is beneficially owned by Xinya Global Limited. 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 17.47% by Tianjin Tian Yuen Investment Limited and 53.43% 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 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.

Save as disclosed above, the Directors are not aware of any other persons who, at 30 June 2019, 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 2019, 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 of the Company and the chief executive officer of the Company from 1 November 2017 to 25 January 2019 when he resigned as a Director, the chairman and chief executive officer of the Company. After vesting the role of chairman and chief executive officer in one person for more than one year, the Company noted that separation of the two roles would be more appropriate and benefit to the Company. By separation of the roles, the Chairman can focus on the strategic planning and development of the Group and the chief executive officer is responsible for the day to day management, oversees the Group's operational activities and implementation of development plans. On 25 January 2019, Mr. Cai re-designated from non-executive Director to executive Director and was appointed the chairman of the Company. Dr. Fang Gang was appointed the chief executive officer with effect from 11 April 2019. The role of the chairman and the chief executive officer is separate and not performed by the same person.

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, and Mr. Zou Mingwu, and the non-executive Director, Mr. Zhou Hao had not attended the annual general meeting held on 4 June 2019 ("2019 AGM") as they were not in Hong Kong or due to other commitments which must be attended to by them. The Chairman, Mr. Cai and the independent non-executive Directors, Mr. Leung Yuen Wing, Ms. Choy So Yuk, Mr. Wu Zhao and Mr. Liu Wei had attended the 2019 AGM.

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 (save and except Mr. Cai) have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

On 25 January 2019, Huarong Investment, being a substantial shareholder of the Company, entered into a put option deed (the "Put Option Deed") with Yangtze River, pursuant to which, Huarong Investment may put any or all shares of the Company it held to Yangtze River (the "Dealing"). Mr. Cai, the chairman of the Board, is the sole legal and beneficial owner of Yangtze River.

Mr. Cai, through his company, inadvertently and unintentionally breached the relevant rules of the Model Code. Save and except the Dealing, Mr. Cai has confirmed to the Company that (i) he has not otherwise acquired, disposed of or dealt in any shares in the Company at the material time, and (ii) he has not received any notice in relation to the exercise of the put option pursuant to the Put Option Deed by Huarong Investment. As a remedial action, Mr. Cai has served a formal written notice to the Board, and a separate board meeting has been convened to record the circumstances.

The Company has paid due regard to the aforementioned non-compliance incident. With a view to ensuring compliance with the Listing Rules and the Model Code, (i) a copy of the Model Code and a sample notification form in respect of dealing of shares of the Company were circulated for all Directors' reference, and (ii) the Company provided a briefing of the Model Code and the procedure of notification to all Directors in March 2019 and reminded them of their obligations under the Model Code. In addition, Mr. Cai, has received a training conducted by a professional law firm on the Listing Rules.

CHANGE OF INFORMATION OF DIRECTORS

On 25 January 2019, Mr. Ding Zhiyi resigned as executive Director, the chairman of the Board and the chief executive officer of the Company, Mr. Cai was re-designated from non-executive Director to executive Director and was appointed as the chairman of the Board, Ms. Zhang Rui was appointed as executive Director, Mr. Chan, Victor Sun Ho was appointed as non-executive Director and Mr. Zou Mingwu was appointed as independent non-executive Director. On 28 February 2019, Mr. Chan, Victor Sun Ho resigned as non-executive Director and Mr. Zhou Hao was appointed as non-executive Director. Mr. Zhao Cheng Shu retired by rotation as executive Director in accordance with the bye-laws of the Company at the annual general meeting of the Company held on 4 June 2019.

Ms. Choy So Yuk was appointed an independent non-executive Director of Best Mart 360 Holdings Limited. Ms. Choy was an independent non-executive director of Blockchain Group Company Limited from August 2002 to October 2017. On 19 November 2018, Blockchain Group Company Limited was ordered to be wound up by the High Court of Hong Kong and trading in its shares was suspended.

General Information

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 2019 has not been audited or reviewed by the Company's auditors but has been reviewed by the Audit Committee.

On behalf of the Board

Cai Jianjun

Chairman and Executive Director

Hong Kong, 27 August 2019

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