Silk Road Logistics Holdings Limited
絲路物流控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 988)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Board") of Silk Road Logistics Holdings Limited (the "Company"), announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Continuing operations			
REVENUE	*4*	**11,536,943**	3,090,306
Cost of sales and services		**(11,469,113)**	(2,899,156)
Gross profit		**67,830**	191,150
Other income and gains	*4*	**1,831**	19,144
Reversal of impairment of interests in an associate		**15,910**	–
Selling and distribution expenses		**(218)**	(29)
Administrative expenses		**(57,942)**	(48,923)
Loss on disposal of an associate		**(8,757)**	–
Impairment of goodwill		**(7,840)**	(85,908)
Impairment of interests in associates		**(190,000)**	–
Impairment of oil properties		**(34,332)**	(38,934)
Impairment of trade receivables		**(92,955)**	(235)
Impairment of prepayments, deposits and other receivables		**(114,010)**	–
Share of loss of associates		**(2,858)**	(1,909)
Finance costs	*6*	**(49,172)**	(64,107)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(472,513)**	(29,751)
Income tax credit (expense)	*7*	**24,460**	(44,516)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(448,053)**	(74,267)
Discontinued operations			
Net gain for the year from discontinued operations	*9*	**–**	753,956
(LOSS) PROFIT FOR THE YEAR		**(448,053)**	679,689

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

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
(LOSS) PROFIT FOR THE YEAR		**(448,053)**	679,689
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(52,013)**	(24,055)
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(79,162)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(52,013)**	(103,217)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(500,066)**	576,472
(Loss) profit for the year from continuing operations attributable to:			
Owners of the Company		**(453,358)**	(91,336)
Non-controlling interests		**5,305**	17,069
		(448,053)	(74,267)
(Loss) profit for the year from continuing and discontinued operations attributable to:			
Owners of the Company		**(453,358)**	670,520
Non-controlling interests		**5,305**	9,169
		(448,053)	679,689
Total comprehensive income attributable to:			
Owners of the Company		**(500,977)**	565,290
Non-controlling interests		**911**	11,182
		(500,066)	576,472

	Notes	2018 HK$	2017 HK$
(LOSS) EARNINGS PER SHARE	8		
From continuing operations			
– Basic		**(0.08)**	(0.02)
– Diluted		**N/A**	N/A
From continuing and discontinued operations			
– Basic		**(0.08)**	0.14
– Diluted		**N/A**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**202,333**	222,871
Prepaid land lease payments		**50,811**	55,390
Interests in associates		**737,846**	936,749
Goodwill		**102,988**	110,828
Oil properties		**145,175**	179,296
Total non-current assets		**1,239,153**	1,505,134
CURRENT ASSETS			
Inventories		**567**	1,409
Prepaid land lease payments		**1,482**	1,282
Trade and bills receivables	*10*	**612,590**	208,157
Prepayments, deposits and other receivables		**855,106**	970,108
Income tax recoverable		**7,173**	–
Cash and cash equivalents		**43,579**	18,663
		1,520,497	1,199,619
Assets classified as held for sale		**12,688**	20,292
Total current assets		**1,533,185**	1,219,911
CURRENT LIABILITIES			
Trade payables	*11*	**708,494**	28,417
Other payables and accruals		**809,352**	888,574
Bank and other borrowings		**414,412**	144,551
Convertible bonds		**–**	289,553
Promissory notes payable		**52,000**	52,000
Obligations under finance lease		**86**	85
Income tax payable		**4,528**	7,019
		1,988,872	1,410,199
Liabilities directly associated with assets classified as held for sale		**–**	1,801
Total current liabilities		**1,988,872**	1,412,000
NET CURRENT LIABILITIES		**(455,687)**	(192,089)
TOTAL ASSETS LESS CURRENT LIABILITIES		**783,466**	1,313,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

As at 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Obligations under finance lease	**197**	283
Assets retirement obligations	**12,053**	11,393
Deferred tax liabilities	**32,077**	62,332
Total non-current liabilities	**44,327**	74,008
Net assets	**739,139**	1,239,037
EQUITY		
Share capital	**57,036**	57,036
Reserves	**600,306**	1,101,115
Equity attributable to owners of the Company	**657,342**	1,158,151
Non-controlling interests	**81,797**	80,886
Total equity	**739,139**	1,239,037

Notes:

1. GENERAL

Silk Road Logistics Holdings Limited (the "Company", formerly known as Londong General Nice Resources (China) Holdings Limited and changed to the existing name in early 2018) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is situated at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceed its current assets by HK$455,687,000. As at 31 December 2018, the Group had bank and other borrowing with principal amounts of HK$414,412,000 to be matured within one year after that date which are included in current liabilities.

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

(a) On 22 March 2019, the Company entered into a loan agreement with an independent third party under which a loan facility of HK$700,000,000 was granted to the Company. The loan, which is unsecured, carries interest at 13% per annum and is due for repayment immediately one year from the date of the first drawdown of any amount of the loan. Up to the date of approval of these consolidated financial statements, this loan facility was not utilised by the Company.

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

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

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

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

New and revised HKFRSs applied in the current year

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
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 HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvements 2014–2016	Cycle Amendments to HKFRS 1 and HKAS 28

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

4. 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	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from:						
Sales of goods	**11,527,586**	3,085,674	**–**	542,560	**11,527,586**	3,628,234
Rendering of services	**9,357**	4,632	**–**	–	**9,357**	4,632
	11,536,943	3,090,306	**–**	542,560	**11,536,943**	3,632,866

Other income and gains

An analysis of other income and gains is as follows:

	Continuing operations		Discontinued operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Bank interest income	**91**	157	**–**	–	**91**	157
Government grants received*	**625**	14,166	**–**	6,234	**625**	20,400
Gain on disposal of property, plant and equipment, net	**–**	226	**–**	–	**–**	226
Gain on change in fair value of investment property	**–**	4,212	**–**	–	**–**	4,212
Reimbursement of depreciation charges	**–**	–	**–**	6,327	**–**	6,327
Reversal of impairment of trade receivables	**–**	–	**–**	14,056	**–**	14,056
Sundry income	**1,115**	383	**–**	231	**1,115**	614
Total other income and gains	**1,831**	19,144	**–**	26,848	**1,831**	45,992

* Various government grants have been received for the Group's supply of heat in the PRC and value-added tax and other taxes refunded for previous year. There are no unfulfilled conditions or contingencies attached to these grants.

5. LOSS BEFORE TAX

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

	Continuing operations		Discontinued operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold*	**11,467,221**	2,898,511	**–**	437,409	**11,467,221**	3,335,920
Minimum lease payments under operating leases in respect of land and buildings	**2,129**	971	**–**	–	**2,129**	971
Auditors' remuneration						
Audit services						
– current year	**750**	1,280	**–**	–	**750**	1,280
– under-provision in prior years	**–**	340	**–**	–	**–**	340
	750	1,620	**–**	–	**750**	1,620
Other services	**100**	994	**–**	–	**100**	994
	850	2,614	**–**	–	**850**	2,614
Staff costs (excluding directors' remuneration)						
Salaries and allowances	**8,807**	8,390	**–**	23,064	**8,807**	31,454
Retirement benefit costs	**500**	400	**–**	–	**500**	400
	9,307	8,790	**–**	23,064	**9,307**	31,854
Depreciation of property, plant and equipment	**11,966**	7,898	**–**	18,127	**11,966**	26,025
Accretion expenses – oil properties	**815**	772	**–**	–	**815**	772
Amortisation of prepaid land lease payments	**1,494**	1,474	**–**	687	**1,494**	2,161
Amortisation of oil properties	**1,710**	2,232	**–**	–	**1,710**	2,232
Loss of disposal on property, plant and equipment	**24**	–	**–**	–	**24**	–
Reversal of write-down of inventories	**–**	–	**–**	(6,886)	**–**	(6,886)
Foreign exchange losses/(gains), net	**69**	(47)	**–**	–	**69**	(47)

* Cost of inventories sold includes staff costs and depreciation charges from continuing and discontinued operations amounted to approximately HK$ Nil (2017: HK$18,973,000) and HK$2,820,000 (2017: HK$18,664,000) respectively. These amounts are also included in the respective total amounts disclosed separately above.

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses, net of reimbursement on borrowings:						
Bank loans, overdrafts and other loans	**22,202**	4,792	**–**	71,987	**22,202**	76,779
Finance leases	**3**	3	**–**	–	**3**	3
Convertible bonds	**26,967**	56,027	**–**	–	**26,967**	56,027
Promissory notes payable	**–**	3,285	**–**	–	**–**	3,285
	49,172	64,107	**–**	71,987	**49,172**	136,094

7. INCOME TAX (CREDIT) EXPENSE

	Continuing operations		Discontinued operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**–**	–	**–**	–	**–**	–
PRC corporate income tax	**5,806**	57,217	**–**	78,302	**5,806**	135,519
Under provision in prior years	**–**	1,469	**–**	–	**–**	1,469
Current tax charge	**5,806**	58,686	**–**	78,302	**5,806**	136,988
Deferred tax credit	**(30,266)**	(14,170)	**–**	–	**(30,266)**	(14,170)
Total tax (credit)/charge for the year	**(24,460)**	44,516	**–**	78,302	**(24,460)**	122,818

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Under the Corporate Income Tax Law of the PRC, the PRC corporate income tax is calculated at the rate of 25% (2017: 25%) on the Group's estimated assessable profits arising in the PRC. Tax on the assessable profits arising in the USA is calculated at the rate of 21% (2017: 34%), however, no such income tax has been provided as the Group did not generate any assessable profits arising in Hong Kong and the USA.

8. (LOSS) EARNINGS PER SHARE

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

	Continuing operations		Continuing and discontinued operations	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss				
(Loss) profit for the purpose of basic (loss) earnings per share				
(Loss) profit for the year attributable to owners of the Company	**(453,358)**	(91,336)	**(453,358)**	670,520
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds	**26,967**	56,027	**26,967**	56,027
Profit for the purpose of diluted earnings per share	**N/A**	N/A	**N/A**	726,547

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**5,703,616**	4,672,638
Effect of dilutive potential ordinary shares:		
Convertible bonds	**746,796**	1,837,429
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**N/A**	6,510,067

Diluted loss from continuing operations per share for the years ended 31 December 2018 and 31 December 2017, diluted loss from continuing and discontinued operations per share for the year ended 31 December 2018 are not presented because the Group sustained a loss from continuing operations for each of these years and the impact of conversion of convertible bonds and exercise of share options are regarded as anti-dilutive.

9. DISCONTINUED OPERATIONS

During the year ended 31 December 2017, following the disposal of the Company's subsidiary, as detailed in Note 12, the Group discontinued its business of coal processing and production of metallurgical coke and by-products on 29 September 2017. An analysis of the results attributable to the discontinued operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year from discontinued operations	**–**	(143,109)
Gain on disposal of subsidiaries *(Note 12)*	**–**	897,065
Net gain for the year from discontinued operations	**–**	753,956

The loss from discontinued operations is analysed as follows:

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**–**	542,560
Cost of sales and services		**–**	(437,409)
Gross profit		**–**	105,151
Other income and gains	*4*	**–**	26,848
Selling and distribution expenses		**–**	(51,381)
Administrative expenses		**–**	(24,980)
Impairment of property, plant and equipment		**–**	–
Impairment of trade receivables		**–**	(839)
Impairment of prepayments, deposits and other receivables		**–**	(47,619)
Finance costs	*6*	**–**	(71,987)
Loss before tax		**–**	(64,807)
Income tax expense	*7*	**–**	(78,302)
Loss for the year from discontinued operations		**–**	(143,109)
Loss for the year from discontinued operations attributable to:			
Owners of the Company		**–**	(135,209)
Non-controlling interests		**–**	(7,900)
Loss for the year from discontinued operations		**–**	(143,109)

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**714,180**	280,578
Less: Impairment of trade receivables	**(101,590)**	(72,421)
	612,590	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 granted by the Group to its trade customers generally ranged from one to three months. Overdue balances are reviewed regularly by senior management.

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

	2018	2017
	HK$'000	*HK$'000*
Not more than 30 days	**612,477**	191,813
31-60 days	**20**	160
61-90 days	**286**	43
91-365 days	**253**	260
Over one year	**101,144**	88,302
	714,180	280,578

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

	2018	2017
	HK$'000	*HK$'000*
Not past due	**612,319**	191,730
Past due:		
Less than 1 month	**–**	57
1 to 3 months	**40**	43
3 to 12 months	**231**	–
Over one year	**–**	16,327
	612,590	208,157

11. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**708,494**	28,417

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

	2018	2017
	HK$'000	*HK$'000*
Not more than 30 days	**655,637**	2,736
31-60 days	**46**	11
61-90 days	**138**	–
91-365 days	**28,315**	–
Over one year	**24,358**	25,670
	708,494	28,417

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

12. DISPOSAL OF SUBSIDIARIES

Disposal took place during the year ended 31 December 2017

On 26 June 2017, the Company entered into an agreement with Champ Noble Limited for the disposal of 100% equity interest in a subsidiary, Buddies Power, for a cash consideration of HK$8,000,000. Buddies Power is an investment holding company and, through its subsidiaries, holds 94.48% equity interest in Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"). The principal activities of Buddies Power Group are (i) coal processing and production of metallurgical coke and by-products; and (ii) trading of metallurgical coke. The disposal took place on 29 September 2017.

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

12. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

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

	HK$'000
Gain on disposal of subsidiaries	
Consideration	**8,000**
Net liabilities disposed of	**2,840,428**
Amounts due to group entities waived	**(1,962,228)**
Cumulative exchange gain in respect of the foreign operations disposed of	**79,162**
Non-controlling interests	**(68,297)**
Gain on disposal *(Note 9)*	**897,065**

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 December 2018, the Group recorded revenue from continuing operations of approximately HK$11,536,943,000 (2017: approximately HK$3,090,306,000), representing an increase of 273% from prior year. The Group's gross profit of the continuing operations shrink to approximately HK$67,830,000 for the year ended 31 December 2018 from approximately HK$191,150,000 recorded in 2017, with the gross profit margin decreased to 0.6% from 6.2% in prior year. The Company recorded a loss attributable to the owners of the Company from the continuing operations for the year ended 31 December 2018 to approximately HK$453,358,000 from that of about HK$91,336,000 recorded in the preceding year.

BUSINESS REVIEW

In the second half of 2017, the Group successfully disposed the entire share of Buddies Power Enterprises Limited ("Buddies Power") and its subsidiaries. Getting exit from coal processing and metallurgical coke manufacturing segment, the Group recognized a substantial non-cash gain amounted to HK$897,065,000 in 2017. This disposal released the financial pressure of the Group from the continuing loss-making business with unfavourable prospect and the financial burden to upgrade the manufacturing plants. The Group can realign its resources on the other business segments.

However, due to the PRC Government imposed a tighten control on environmental protection and industry overcapacity, and implement policies on infrastructure remodeling, the volatility of the commodities price increased, which squeezed the profit margin of the commodities trading segment. Thus the Group expanded the trading volume to hunt for more profit. As the atmosphere of commodities trading was not stable, provision have been made on outstanding receivables and prepayment of over one year. The Group will stop business with those customers with long outstanding receivables and will assign personnel to follow up the settlement. In case of any further potential default, the Group will take appropriate actions, including legal actions, to resolve the issue.

The debtor's turnover day of the Group in 2018 was reduced to 13 days compared with 57 days in 2017. 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.

The Company's major subsidiary, Silk Road Logistics (Qian'an) Company Limited (previously known as "Tianjin Property Qian'an Logistics Company Limited") ("Qian'an Logistics"), continued to be the primary sources of revenue and profit of the Group's operation. Revenue from trading segment amounted to approximately HK$11,523,498,000 in 2018, rose 274% from about HK$3,084,802,000 in 2017, which are wholly contributed by Qian'an Logistics in this year. Qian'an Logistics also contributed profit of about HK$16,317,000 in 2018, compared with HK$42,320,000 in 2017, which reinforced our business strategy to focus on high return business – warehouse logistics and supply chain operation, as well as the commodities trading business.

In 2018, the WTI crude oil price was raised to the top in September, and subsequently fall to about US$45 per barrel in December. As a result, the profit of Company's 30%-owned associate, RockEast Energy Corporation was reduced compared with prior year. On the other hand, due to the volatility of the crude oil price, as well as the high maintenance costs of the ageing wells, the Group's US oil operation unit was continued to report losses in 2018. The Group will keep closely monitor the profitability of these oil assets, and reassess the business outlook to formulate the best possible asset strategy to the Group in the long run.

Our strategic investments in associates were coincident with the One Belt One Road policies launched by the PRC Government. As the policies are still in developing stage, whilst the two associates were not in full operation, leading to the impairment in those investments. However, in view of the confidence presented by the PRC leaders in the international occasions, the One Belt One Road policies will definitely a driving force for our future growth.

In the fourth quarter of 2018, the Company entered into an agreement to dispose the headquarter office to an independent third party at a consideration of HK$30,993,160, which gives a good opportunity for the Group to realise its investment in the property. The proceeds will be used as general working capital of the Group.

OUTLOOK

In 2019, the global economy is full of challenges. The economy of PRC is expected to enter into a stage of "low speed, quality growth". There are three elements to stimulate the PRC domestic economy, which are through the expansion of investment, export and domestic consumption. However, investment will expect to slow down, as the government continues to de-leverage in order to maintain a healthy business environment, while the escalation of Sino-US trade friction will unavoidably affect the export performance. Thus domestic consumption will become the key driver of the economy. On the other hand, PRC's economy will face a downside risk, which comes from the tightening control of the monetary and real estate policies. These factors may affect the consumer consumption pattern like the willingness of purchase the real estate, which may indirectly affect the demand of commodities and the profitability of the Group.

Looking forward, after the disposal of the metallurgical coke manufacturing business, the Group will emphasize in the logistics and warehousing business, and strengthening in commodities trading sector. Together with our investment and infrastructure built in Hebei and Inner Mongolia, we can get in line with and benefit from the strategies of One Belt One Road policies launched by the PRC Government.

In addition, benefit from the cooperation with the business partner, a State-owned investor, Tewoo Group Co. Ltd ("Tewoo"), the commodities trading business was burst to a new level in this year. On one hand, the Group would maintain its business relations with Tewoo to earn stable income; on the other hand, the Group will develop its trading business in other area to maximize the growth.

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.

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 31 December 2018, the Group had total interest bearing bank and other borrowings for the continued operations is in the amount of approximately HK$414,412,000 (31 December 2017: HK$144,551,000), representing an increase of HK$269,861,000 for the continued operation. The Group's interest bearing bank and other borrowings are repayable within one year. The total interest bearing bank and other borrowings for the discontinued operations in 2017 is in the amounts of HK$1,871,080,000, and is repayable within one year.

The Group's total interest bearing bank and other borrowings for the continued operations of approximately HK$28,461,000 are denominated in Renminbi ("RMB") and HK$49,951,000 are denominated in HK$ are both charged at floating interest rates, and HK$336,000,000 denominated in HK$ is charge at fixed rate. The Group's cash and bank balances of the continued operations of approximately HK$43,579,000 were 98% denominated in RMB, 0% in USD and 2% in HK$.

As at 31 December 2018, the convertible bonds with the aggregate principal amount of HK$300,000,000 was matured and become an other borrowing as it is not redeemed at maturity date. Combining the unsettled interests, the total amount of other borrowings was HK$336,000,000. An other borrowing (2017: the convertible bond amounted to HK$300,000,000) is denominated in HK$ and bear interest at fixed interest rate of 6% per annum.

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

EMPLOYEES

As at 31 December 2018, the total number of employees of the Group was approximately 50 (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. For the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation, the Group has adopted a new share option scheme subsequent to the lapse of the old share option scheme in June 2017. As at 31 December 2018 and 31 December 2017, there were no outstanding share options granted under the new scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2018, a property with a carrying value of approximately HK$12,688,000 (31 December 2017: HK$13,030,000) are pledged as securities for the Group's banking facilities.

GEARING RATIO

As at 31 December 2018, the 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 interest-bearing bank and other borrowings, the liability component of convertible bonds, the non-current portion of the amount loans due to related parties and promissory note less cash and cash equivalents of the Group. Total capital represents total equity attributable to the owners of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is denominated in HK$. The Group's monetary assets, loans and transactions were principally denominated in RMB, USD and HK$. The Group had a net exchange exposure to RMB as the Group's assets were principally located in the PRC and the revenues were in RMB.

The Group does not have any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 26 January 2019, the Company entered into an investment and shareholders agreement with Kunlun Energy Company Limited ("Kunlun Energy") and Noble Bridge Capital (Hong Kong) Limited ("Noble Bridge")(the "JV Agreement") in relation to the formation of a joint venture company (the "JV Company"). Pursuant to the JV Agreement, the Company, Kunlun Energy and Noble Bridge will contribute HK$40,000,000, HK$45,000,000 and HK$15,000,000 to the JV Company and own 40%, 45% and 15% equity interest of the JV Company respectively. The JV Company and its subsidiaries will mainly engage in the business of (i) serving as an investment management platform and responsible for fund raising in Hong Kong; (ii) conducting liquefied natural gas ("LNG") by leasing the LNG plants and ancillary facilities of Wuhui Huaqi Company Limited, a subsidiary of Kunlun Energy; and (iii) participating in the capital restructure of Wuhai Huaqi Company Limited for ensuring a stable operation of all production steps in the whole industrial chain of LNG upon further agreement by the parties.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. As of 31 December 2018, the Group's current liabilities exceed its current assets by HK$455,687,000. As at 31 December 2018, the Group had bank and other borrowing with principal amounts of HK$414,412,000 to be matured within one year after that date which are included in current liabilities.

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

The aforesaid "Note 2 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in note 2 to the annual results set out in this announcement.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto in respect of the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, CCTH CPA Limited ("CCTH"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH in this announcement.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on 4 June 2019. The Notice of the AGM will be published and despatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 31 May 2019 to 4 June 2019, both days inclusive during which period, no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms should be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level, 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 4:00 p.m. on 30 May 2019.

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 year ended 31 December 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 of the Company (the "Chairman") and the chief executive officer of the Company (the "CEO") from 1 November 2017. The Board considered that vesting the roles of both chairman and chief executive officer in one person would 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 could be ensured by the operation of the Board. The Company would 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. After vesting the roles of chairman and the 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. In January 2019, Mr. Ding Zhiyi resigned as an executive Director, the Chairman and the CEO and Mr. Cai Jianjun was re-designated from non-executive Director to executive Director and was appointed the Chairman. Dr. Fang Gang would be appointed the CEO with effect from the issuing of the working permit by the Immigration Department. The roles of the chairman and the chief executive officer will be separate and not performed by the same person.

Code A.2.7

Under Code A.2.7, the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors (the "INEDs")) without executive director present.

During the year 2018, the Chairman had not met with the non-executive Directors without the executive Directors present. The Chairman intended that all the non-executive Directors could attend the meeting and started to arrange a meeting from November 2018. The meeting was finally fixed and held in late January 2019. The Chairman met all the INEDs (except Mr. Wu Zhao who was not in Hong Kong for the whole month of January 2019) in Hong Kong without the presence of executive Directors. The Chairman will arrange a meeting with Mr. Wu in the coming months. The Chairman encourages the INEDs to meet him any time when they think required, and he will schedule meeting at such times convenience to them.

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 of the existing six INEDs were not appointed for a specific term. However, all Directors are subject to the retirement provisions in accordance with the bye-laws of the Company (the "Bye-laws") which provides that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provisions A.6.7

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

Mr. Ding Zhiyi, the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee") at the time of convening the 2018 annual general meeting (the "2018 AGM"), Mr. Zhu Dengkai, Mr. Leung Yuen Wing, Ms. Choy So Yuk and Mr. Liu Wei, all being the INEDs, had not attended the 2018 AGM as they were not in Hong Kong or due to other commitments which must be attended to by them.

Mr. Ng Tze For, an executive Director at the time of the 2018 AGM, Mr. Cai Jianjun, a non-executive Director at the time of the 2018 AGM and Mr. Wu Zhao, an INED and a member of the Remuneration Committee, the Nomination Committee and Audit Committee, had attended the 2018 AGM and answered questions from the shareholders of the Company.

Code Provision A.7.1

Under code provision A.7.1, for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors at least 3 days before the intended date of a board meeting or board committee meeting. Since additional time was required to prepare the board papers for the meetings, the board papers were not sent to all Directors 3 days before such meetings. The Company will arrange the board papers at the earliest possible time in future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

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

Mr. Cai, through his company, inadvertently and unintentionally breached the relevant rules for dealing of shares of the Company during the black-out period. 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 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, the Company will provide all Directors, including Mr. Cai, who agreed to attend, a directors' training to be conducted by a professional law firm for the purpose of reinforcing the Directors' knowledge and awareness of the requirements and restrictions regarding dealings of shares by directors and their duties as directors in general.

REVIEW OF ANNUAL RESULTS

The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Leung Yuen Wing (the chairman), Ms. Choy So Yuk and Mr. Wu Zhao and Mr. Zhu Dengkai. The Audit Committee has reviewed with the management and the Group's auditors the annual results of the Group for the year ended 31 December 2018.

By order of the Board
Silk Road Logistics Holdings Limited
Cai Jianjun
Chairman

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Cai Jianjun, Mr. Zhao Cheng Shu, Mr. Wang Xiusong and Ms. Zhang Rui; one non-executive Director, namely Mr. Zhou Hao; and six independent non-executive Directors, namely Ms. Choy So Yuk, Mr. Leung Yuen Wing, Mr. Wu Zhao, Mr. Zhu Dengkai, Mr. Liu Wei and Mr. Zou Mingwu.