大唐西市
DA TANG XI SHI

DTXS Silk Road Investment Holdings Company Limited
大唐西市絲路投資控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 620)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Directors" or the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") announces the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**Year ended 31 December 2016** *HK$'000*	Five months ended 31 December 2015 *HK$'000*
Revenue	4	**122,307**	60,197
Other revenue		**1,278**	7,408
Changes in inventories		**(38,643)**	(39,320)
Financial trading technologies and related value-added services cost		**(1,071)**	–
Staff costs	6(a)	**(50,242)**	(12,000)
Marine, construction and structural steel engineering costs	6(b)	**(61,474)**	(17,985)
Depreciation and amortisation expense	6(c)	**(14,113)**	(3,456)
Other operating expenses		**(28,420)**	(11,294)
Other gains and losses		**14,293**	–
Gain (loss) on disposal of subsidiaries	14(a)	**8**	(1,473)
Loss from operations		**(56,077)**	(17,923)
Finance costs	5	**(1,384)**	(1,183)
Share of losses of joint ventures		**(16,610)**	(1,563)
Loss before taxation	6	**(74,071)**	(20,669)
Taxation	7	**569**	–
Loss for the year/period		**(73,502)**	(20,669)

	Note	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Loss for the year/period		**(73,502)**	(20,669)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(13,466)**	(590)
Reclassification of exchange reserve upon disposal of subsidiaries		**–**	(2,656)
Total comprehensive expense for the year/period		**(86,968)**	(23,915)
Loss attributable to:			
Owners of the Company		**(73,497)**	(20,669)
Non-controlling interests		**(5)**	–
		(73,502)	(20,669)
Total comprehensive expense attributable to:			
Owners of the Company		**(86,950)**	(23,915)
Non-controlling interests		**(18)**	–
		(86,968)	(23,915)
Loss per share			
Basic and diluted (in HK cents)	8	**(15.04)**	(6.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Non-current Assets			
Property, plant and equipment		**42,700**	46,538
Intangible assets		**125,050**	–
Goodwill		**186,401**	–
Lease prepayments		**318**	412
Interests in joint ventures		**26,032**	42,904
Other receivables and loan receivables		**–**	1,068
		380,501	90,922
Current Assets			
Inventories		**15,086**	5,967
Lease prepayments		**67**	72
Trade and other receivables	9	**99,814**	58,766
Amounts due from customers for contract work		**9,584**	11,847
Amount due from a joint venture		**2,545**	2,275
Tax recoverable		**215**	–
Cash and cash equivalents		**271,909**	531,896
		399,220	610,823
Current Liabilities			
Trade and other payables	10	**59,791**	19,067
Amounts due to customers for contract work		**–**	1,710
Obligations under finance leases		**67**	70
Borrowings		**17,583**	–
Loans from a related party		**–**	41,044
Amount due to a joint venture		**5,149**	6,656
Amounts due to related parties		**–**	5,790
Amounts due to directors of subsidiaries		**–**	1,792
Tax liabilities		**243**	–
		82,833	76,129
Net Current Assets		**316,387**	534,694
Total Assets Less Current Liabilities		**696,888**	625,616

	Notes	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Non-current Liabilities			
Deferred tax liabilities		**30,263**	–
Contingent consideration	15	**10,821**	–
Obligations under finance leases		**–**	67
		41,084	67
Net Assets		**655,804**	625,549
Capital and Reserves			
Share capital	11	**252,059**	237,318
Reserves		**400,832**	388,231
Equity attributable to owners of the Company		**652,891**	625,549
Non-controlling interests		**2,913**	–
Total Equity		**655,804**	625,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

DTXS Silk Road Investment Holdings Company Limited was incorporated in Bermuda as an exempted company with limited liability on 31 May 1991 under the Companies Act 1981 of Bermuda and has its registered office at the Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and principal place of business at Unit 2602, 26/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The principal activity of the Company is investment holding.

At the date of approval for issue of these financial statements, the ultimate holding company of the Company is 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*) ("DTXS Investment"), a private limited liability company incorporated in the People's Republic of China (the "PRC"). This entity does not produce financial statements available for public use.

Change of company name and stock short name

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 25 January 2016 and the approval by the Registrar of Companies in Bermuda on 27 January 2016, the name of the Company has been changed from "UDL Holdings Limited 太元集團有限公司" to "DTXS Silk Road Investment Holdings Company Limited 大唐西市絲路投資控股有限公司". The stock short name for the trading of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been changed from "UDL HOLDINGS" to "DTXS SILK ROAD" in English and "大唐西市" in Chinese both with effect from 18 February 2016.

Structured arrangements

In July 2016, the Company, through its wholly-owned subsidiary, DTXS Auction Limited, acquired 100% equity interest in China King Sing Lun Fung Auction Holdings Company Limited ("China King Sing") and China King Sing Lun Fung Company Limited ("KSLF (HK)"). The acquisition has been accounted for a business combination, details of which are set out in Note 13.

Following the completion of acquisition of entire equity interest in KSLF (HK) and with execution of Structured Arrangements (as defined below), the Group commenced auction business in the PRC through 北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*) ("Phoenixstar"), an indirect wholly-owned subsidiary of KSLF (HK).

The Group entered into a series of agreements with two individuals, who are the registered shareholders of Phoenixstar ("Registered Shareholders") which constitute the structured arrangements ("Structured Arrangements") for the auction business. The Structured Arrangements with the Registered Shareholders include:

(i) 獨家營運及技術服務協議 (Exclusive Operation and Technology Support Services Agreement*);
(ii) 獨家購買權協議 (Exclusive Right to Purchase Agreement*);
(iii) 股東表决權委託協議 (The Voting Rights Proxy Agreement*); and
(iv) 股權質押協議 (Equity Pledge Agreement*).

* *For identification purpose only*

1. GENERAL (CONTINUED)

Structured arrangements (Continued)

Details of the Structured Arrangements are set out in the section headed "the Structured Contractual Arrangements" of the Company's announcement dated 20 June 2016.

The Structured Arrangements are irrevocable and enable the Group to:

- Exercise effective financial and operational control over Phoenixstar;
- Exercise equity holders' voting rights of Phoenixstar;
- Receive substantially all of the economic interest returns generated by Phoenixstar in consideration for the exclusive technical and management consultancy services;
- Obtain an irrevocable and exclusive right to purchase all or part of equity interests in Phoenixstar from the respective Registered Shareholders; and
- Obtain a pledge over the entire equity interest of Phoenixstar as collateral security under the Structured Arrangements.

Pursuant to the above Structured Arrangements entered into between the Group and the Registered Shareholders, the Structured Arrangements effectively transfer the controls over economic benefits and pass the risks associated with Phoenixstar to the Group. In substance, the Group has effectively acquired the equity interests in Phoenixstar to the effective of the Structured Arrangements. Accordingly, Phoenixstar becomes a wholly-owned subsidiary of the Group subsequent to the acquisition of KSLF (HK).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements for the year from 1 January 2016 to 31 December 2016 comprise the Group and the Group's interests in joint ventures.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollar ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional currency and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for floating craft and vessels and contingent consideration payables which are stated at their fair value.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has adopted for the first time in this year the amendments to the HKFRSs, which are mandatorily effective for the accounting year beginning on 1 January 2016.

Except as described below, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendment reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regard to the structure of the financial statements, the amendments provide example of systematic ordering or grouping of the notes.

The Group has applied the amendments retrospectively. Certain notes to the consolidated financial statements have been sort out in order to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. The above mentioned reordering of certain notes has not resulted any impact on the financial performance and financial position of the Group in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases [2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except as described below, the management of the Group considers that the application of the other new and amendments to HKFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting, and impairment requirements for financial assets.

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

3. **APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)**

HKFRS 9 Financial Instruments (Continued)

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

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the management of the Group anticipates that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

Based on preliminary analysis, the management of the Group anticipates that the adoption of HKFRS 15 in the future is unlikely to have significant impact on recognition of revenue from sales of goods, and provision of services including provision of auction services, fintech services, marine engineering services and construction and structural steel engineering work.

HKFRS 16 Leases

HKFRS 16 specifies how an HKFRS reporter will recognise, measure, present and disclose leases.

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitments of the Group in respect of leased premises as at 31 December 2016 are set out in Note 12. The management of the Group expects that the adoption of HKFRS 16 is unlikely to result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the financial statements as right-of-use assets and lease liabilities in future.

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines, i.e. on types of goods delivered or services provided. The accounting policies are the same as the Group's accounting policies. In a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the Executive Directors of the Company for the purpose of performance assessment and resources allocation.

Upon completion of the acquisition of two businesses (Note 13), the segment information was re-defined into four divisions to align with the Group's long term business strategy. The CODM focused on segment revenue and results attributable to each operating segment. Following the change, the segment information for the five months ended 31 December 2015 has been represented to conform to the presentation of current year's consolidated financial statements.

The Group has the below operating and reportable segments during the year:

- Jewellery Division – mainly represents sales of jewellery
- Auction Division – mainly represents auction business and sales of antique
- Fintech Division – mainly represents financial e-commerce business and provision of financial trading platform and solutions
- Engineering Services Division – mainly represents sales of vessels, provision of marine engineering, and construction and structural steel engineering services

(a) Segment results, assets and liabilities

During the year ended 31 December 2016, for performance assessment and resources allocation, the CODM focused on segment revenue and results attributable to each reportable segment and no longer review the assets and liabilities attributable to respective segments. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

There is no inter-segment sales during the year ended 31 December 2016 and five months ended 31 December 2015.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	Jewellery Division		Auction Division		Fintech Division		Engineering Services Division		Consolidated	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:										
Revenue from external customers	**10,500**	38,534	**18,546**	–	**8,811**	–	**84,450**	21,663	**122,307**	60,197
Reportable segment results	**104**	394	**2,419**	–	**193**	–	**(50,344)**	(21,002)	**(47,628)**	(20,608)
Unallocated other revenue and income of head office and corporate									**424**	4,755
Unallocated head office and corporate expenses									**(22,291)**	(3,633)
Unallocated depreciation and amortisation expense									**(4,488)**	–
Unallocated finance costs									**(88)**	(1,183)
Loss before taxation									**(74,071)**	(20,669)

(b) Geographical information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, goodwill, intangible assets and lease prepayments ("specified non-current assets") for the year ended 31 December 2016 and the five months ended 31 December 2015. The geographical location of customers is based on the location at which services were provided and goods are delivered and title has passed. The geographical location of the specified non-current assets is based on the physical location of the assets.

	Hong Kong		PRC		Consolidated	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**116,465**	60,197	**5,842**	–	**122,307**	60,197
Specified non-current assets	**88,774**	46,406	**291,727**	544	**380,501**	46,950

4. **REVENUE AND SEGMENT INFORMATION (CONTINUED)**

(c) **Information about major customers**

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	Year ended 31 December 2016 *HK$'000*	Five months ended 31 December 2015 *HK$'000*
Revenue from sales of jewellery:		
– Customer A	**12,677**	–
– Customer B	**–**	13,455
– Customer C	**–**	8,408
– Customer D	**–**	7,996
Revenue from sales of vessels:		
– Customer E	**27,628**	–
Revenue from provision of services in respect of marine engineering, and construction and structural steel engineering:		
– Customer F	**19,803**	9,498
– Customer G	**17,109**	–
– Customer H	**12,431**	–

5. **FINANCE COSTS**

	Year ended 31 December 2016 *HK$'000*	Five months ended 31 December 2015 *HK$'000*
Interest on loans from Harbour Front Assets Investments Limited	**1,382**	1,182
Finance charges on obligations under finance leases	**2**	1
	1,384	1,183

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

		Year ended 31 December 2016 *HK$'000*	Five months ended 31 December 2015 *HK$'000*
(a)	Staff costs (including Directors' emoluments)		
	Salaries, wages and other benefits	**36,070**	11,901
	Contributions to defined contribution retirement plans	**412**	99
	Share-based payment expenses	**13,760**	–
		50,242	12,000
(b)	Marine, construction and structural steel engineering costs		
	Subcontracting, direct engineering and material costs	**37,045**	8,425
	Direct overheads	**1,386**	793
	Repairs, maintenance and vessel security costs	**8,386**	3,940
	Transportation costs	**14,657**	4,827
		61,474	17,985
(c)	Depreciation and amortisation expense		
	Depreciation of property, plant and equipment	**7,700**	3,425
	Amortisation of intangible assets	**6,344**	–
	Release of lease prepayments	**69**	31
		14,113	3,456
(d)	Other items (included in other operating expenses)		
	Auditor's remuneration		
	– Audit services	**1,630**	1,000
	– Non-audit services	**1,030**	287
	Legal and professional fees	**6,549**	2,861
	Secretarial and registration fees	**1,349**	2,313
	Operating lease charges in respect of office premises and plant	**8,863**	1,800

7. TAXATION

(a) For the year ended 2016, there is no income tax charges to the consolidated statement of profit or loss and other comprehensive income (for the five months ended 31 December 2015: nil) and the amount of HK$569,000 in current year represents deferred tax credited to profit or loss during the year.

The Company and subsidiaries of the Group incorporated in Bermuda and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both current year and prior period. No provision has been made for Hong Kong Profits Tax as the Group did not derive any assessable profits subject to Hong Kong Profits Tax during both current year and prior period.

The PRC subsidiaries of the Group are subject to PRC Enterprises Income Tax rate of 25% for both current year and prior period. No provision for PRC Enterprises Income tax has been made as the Group's PRC subsidiaries did not generate any assessable profits during both current year and prior period.

(b) Reconciliation between taxation and the loss before taxation per the consolidated statements of profit or loss and other comprehensive income at applicable tax rates is as follows:

	Year ended 31 December 2016 *HK$'000*	Five months ended 31 December 2015 *HK$'000*
Loss before taxation	**(74,071)**	(20,699)
Tax at 16.5%	**(12,222)**	(3,410)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**162**	–
Tax effect of non-deductible expenses	**11,429**	994
Tax effect of non-taxable income	**–**	(27)
Tax effect of temporary differences	**–**	795
Utilisation of tax losses previously not recognised	**(4,616)**	–
Tax effect of unused tax losses not recognised	**4,678**	1,648
Taxation	**(569)**	–

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Loss for the year/period attributable to owners of the Company for the purposes of basic and diluted loss per share	**73,497**	20,669
	Number of ordinary shares	
	'000	
Weighted average number of shares, basic	**488,690**	331,823*
Potentially dilutive ordinary shares		
– Share options	**–**	–
Weighted average number of shares, diluted	**488,690**	331,823
Basic loss per share (in HK cents)	**15.04**	6.23
Diluted loss per share (in HK cents)	**15.04**	6.23

* The weighted average number of ordinary shares for the purpose of basic loss per share had been adjusted for the bonus element of the open offer completed in December 2015 (Note 11(a)(iv)).

For the year/period ended 31 December 2016 and 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the periods.

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2016 *HK$'000*	At 31 December 2015 *HK$'000*
Trade receivables *(note a)*	**41,642**	40,465
Less: Allowance for doubtful debts	**(2,122)**	(2,122)
	39,520	38,343
Other receivables *(note b)*	**65,384**	46,202
Less: Impairment losses	**(7,281)**	(31,585)
	58,103	14,617
Retention money receivables	**2,191**	2,024
Loan receivables *(note c)*	**–**	4,850
	99,814	59,834
Less: Amounts presented under non-current assets		
– Other receivables	**–**	(120)
– Loan receivables	**–**	(948)
	99,814	58,766

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

notes:

(a) Trade receivables

Ageing analysis

The ageing analysis of trade receivables of the Group, net of allowance for doubtful debts, presented based on the invoice date, as at the year/period end date is as follows:

	At 31 December 2016	At 31 December 2015
	HK$'000	*HK$'000*
0 – 30 days	**7,341**	37,846
31 – 90 days	**3,872**	–
91 – 180 days	**488**	1
181 – 360 days	**27,670**^	490
Over 360 days	**2,271**	2,128
	41,642	40,465
Less: Allowance for doubtful debts	**(2,122)**	(2,122)
	39,520	38,343

^ An amount of HK$27,520,000 was subsequently settled in March 2017.

Except for retention money receivables, credit terms granted by the Group to customers generally range from 120 to 150 days and 90 days for sales of jewellery.

Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

There is no movements in the allowance for doubtful debts during current year and prior period.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

notes: (Continued)

(a) Trade receivables (Continued)

Impairment of trade receivables (Continued)

As at 31 December 2016, the Group's trade receivables of HK$2,122,000 (2015: HK$2,122,000) were individually determined to be impaired. The individually impaired receivable related to customers that were past due and slow-paying or in financial difficulties and management assessed that recoverability of these receivables are in doubt.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December 2016	At 31 December 2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**11,213**	37,846
Past due but not impaired		
31 – 90 days	**–**	–
91 – 180 days	**486**	1
181 – 360 days	**27,670**^	490
Over 360 days	**151**	6
	39,520	38,343

^ An amount of HK$27,520,000 was subsequently settled in March 2017.

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

notes: (Continued)

(b) Other receivables

Other receivables include deposits, advances to suppliers, advances to consignors for auction business, prepayments and other receivables.

Impairment of other receivables:

	Year ended 31 December 2016 *HK$'000*	Five months ended 31 December 2015 *HK$'000*
At beginning of the year/period	**31,585**	31,631
Impairment loss recognised	**47**	–
Amounts write off as uncollectible *(note i)*	**(7,098)**	–
Amounts recovered during the year *(note ii)*	**(17,253)**	–
Exchange difference	**–**	(46)
At end of the year/period	**7,281**	31,585

notes:

(i) Included in other receivables at 31 December 2015 is the aggregate amount of recovery costs of HK$6,635,000 incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a restructuring scheme of arrangement with creditors (the "Scheme"). Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front Limited ("Harbour Front") (a company controlled by then shareholder of the Company), the Group shall act as nominee of Harbour Front to recover the unencumbered assets and the net proceeds from the recovery of the accounts receivables of the scheme participating companies (collectively the "Scheme Assets") and the Group will be reimbursed for such amount upon the successful recovery of these Scheme Assets. An impairment loss on the balance was made in prior year in view of uncertainty for successful recovery of the Scheme Assets.

During the year ended 31 December 2016, the manager of the Scheme confirmed the distribution of the Scheme Assets has been finalised and the Group was not entitled to the remaining assets of the Scheme Assets, the impairment of HK$6,635,000 was written off accordingly.

(ii) An aggregate amount of approximately HK$17,253,000, fully impaired in the prior years, were recovered during the year ended 31 December 2016. HK$11,800,000 was settled through net off a corresponding amount of payables for purchase of goods.

(c) Loan receivables

At 31 December 2015, loan receivables amounted to HK$4,850,000 were made to a former associate, Crown Asia Engineering Limited ("Crown Asia"). The loans were repayable by 36 instalments, bearing interest rates ranging from 1%-3.5% per annum and are secured by the marine plant of Crown Asia and entire issued share capital of its subsidiary, Crown Asia Logistics Limited. The balance was fully repaid by Crown Asia during the year ended 31 December 2016.

10. TRADE AND OTHER PAYABLES

	At 31 December 2016 *HK$'000*	At 31 December 2015 *HK$'000*
Trade creditors	**13,416**	4,747
Advances received from customers	**21,905**	661
Accruals	**11,109**	5,539
Other payables	**13,361**	8,120
	59,791	19,067

The credit period of trade creditors is normally within three months. The ageing analysis of trade creditors, presented based on the invoice date, at the end of the reporting period is as follows:

	At 31 December 2016 *HK$'000*	At 31 December 2015 *HK$'000*
0 – 30 days	**8,182**	3,979
31 – 90 days	**2,208**	623
91 – 180 days	**746**	8
181 – 360 days	**1,410**	6
Over 360 days	**870**	131
	13,416	4,747

11. SHARE CAPITAL

(a) Authorised and Issued share capital

	At 31 December 2016		At 31 December 2015	
	Number of ordinary shares		Number of ordinary shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.5 each *(note i)*	**5,000,000**	**2,500,000**	480,000	240,000
	'000	***HK$'000***	*'000*	*HK$'000*
Issued and fully paid:				
– Ordinary shares of HK$0.5 each				
At 1 January 2016/1 August 2015	**474,636**	**237,318**	284,002	142,001
Shares issued for acquisition of subsidiary *(note ii)*	**29,481**	**14,741**	–	–
Shares issued by placing of shares *(note iii)*	**–**	**–**	55,024	27,512
Shares issued on open offer *(note iv)*	**–**	**–**	135,610	67,805
At 31 December 2016/31 December 2015	**504,117**	**252,059**	474,636	237,318

notes:

(i) Authorised share capital

On 8 December 2015, the Company announced that, among others, in order to provide the Company with greater flexibility for future fund raising activities and investment opportunities as well as other corporate purposes, it increased the existing authorised share capital of the Company from HK$240,000,000 divided into 480,000,000 shares to HK$2,500,000,000 divided into 5,000,000,000 shares by creation of an additional 4,520,000,000 shares, which rank pari passu in all respects with the existing shares. An ordinary resolution was duly passed in a special general meeting of the Company held on 25 January 2016.

(ii) Shares issued for acquisition of subsidiary

As disclosed in Note 13, 29,481,480 shares of the Company with HK$0.5 each were issued on 11 July 2016 as part of the consideration for the acquisition of a subsidiary.

11. SHARE CAPITAL (CONTINUED)

(a) Authorised and Issued share capital (Continued)

(iii) Placing shares

On 6 October 2015, the Company completed the placing of 55,023,081 placing shares to not less than six placees, who are independent third parties, at the price of HK$2.5 per placing share pursuant to the terms and conditions of the placing agreement dated 15 September 2015. The net proceeds from the placing amounted to approximately HK$137,000,000.

(iv) Open offer of new shares

On 9 December 2015, the Company completed the open offer of 135,610,257 offer shares at the subscription price of HK$3.1 each on the basis of two offer shares for every five existing share held on the record date. The net proceeds from the placing amounted to approximately HK$420,000,000.

(b) Capital management

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholders' value and to meet the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies. During the year ended 31 December 2016 and the period ended 31 December 2015, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company and its subsidiaries are not subject to externally imposed capital requirements.

12. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2016 *HK$'000*	At 31 December 2015 *HK$'000*
Within one year	**13,833**	6,955
Between the second and fifth year inclusive	**20,013**	12,747
More than five years	**371**	1,293
	34,217	20,995

Operating lease payments represent rental payable by the Group for certain office premises and plant. Leases are negotiated for terms of one to five years with fixed rental provision included in the contracts.

13. ACQUISITION OF SUBSIDIARIES

Acquisition 1

On 20 June 2016, the Group entered into a sale and purchase agreement to acquire the entire issued share capital of China King Sing and its subsidiaries (collectively "Phoenixstar Group") for a total consideration of RMB250.0 million subject to adjustment. Pursuant to Structured Arrangements, the Group is entitled to obtain economic interest and benefits from its business activities of Phoenixstar upon completion. This acquisition has been accounted for using the acquisition method. Phoenixstar is a company established in the PRC, which is engaged in the arts and collections auction business. The transaction was subsequently completed on 11 July 2016 (the "Acquisition 1").

	HK$'000
Consideration transferred	
Cash	174,865
Equity instruments issued on 11 July 2016	100,532
Total	275,397

As part of the consideration for the Acquisition 1, 29,481,480 shares of the Company with par value of HK$0.5 each were issued. The fair value of the shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$100,532,000. The consideration shares have been deposited with the Group as security for the due performance of the Profit Guarantee (as defined below), with adjustment to the consideration according to the arrangement.

Included in the sale and purchase agreement, there is contingent consideration arrangement. The vendors warrant that the audited consolidated net profit after tax of the Phoenixstar Group prepared in accordance with HKFRSs ("Net Profit") for each of the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 ("Guarantee Periods") shall not be less than RMB25.0 million, RMB35.0 million and RMB45.0 million, respectively ("Profit Guarantee"). Upon 100% fulfilment of the Profit Guarantee, the Company shall release all the consideration shares to the vendors. However, if any adjustment to the consideration is required, the vendors shall forthwith dispose of part of the consideration shares issued to them so as to raise funds to pay the compensation aforesaid to the Company and if there is any remaining shortfall the vendors shall forthwith pay such shortfall to the Company.

The consideration for the Phoenixstar Group is subject to the adjustment in the following manner:

(i) Should the deficit (if any) between the Guarantee Periods' average Net Profit and the average Profit Guarantee amount per year (i.e. RMB35.0 million of the latter (equivalent to approximately HK$41.3 million)) is less than or equal to 10% (i.e. the Guarantee Periods' Net Profit is greater than or equal to RMB31.5 million (equivalent to approximately HK$37.1 million)), the compensation will be on a dollar to dollar basis; and

13. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition 1 (Continued)

(ii) Should the deficit (if any) between the actual Guarantee Periods' average Net Profit and the average Profit Guarantee amount (i.e. RMB35.0 million (equivalent to approximately HK$41.3 million) is more than 10% of the latter (i.e. the Guarantee Periods' Net Profit is less than RMB31.5 million) the compensation will be calculated as follows:

Compensation = RMB3.5 million + {7 x (absolute value of the deficit amount in RMB less RMB3.5 million)}

The Directors do not consider it is probable that this reimbursement will occur and the estimated fair value of this contingent assets at the acquisition date is assessed as insignificant.

Acquisition-related costs amounting to HK$1,627,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	85
License	474
Brand	96,049
Customer relationship	13,729
Bank balances and cash	1,279
Trade and other receivables	18,953
Inventories	12,326
Deferred tax asset	476
Other payables	(11,590)
Deferred tax liability	(27,564)
Tax payables	(183)
	104,034

The fair value of trade and other receivables at the date of acquisition amounted to HK$18,953,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$18,953,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	275,397
Less: net assets acquired	(104,034)
Goodwill arising on acquisition	171,363

None of the goodwill arising on the Acquisition 1 is expected to be deductible for tax purposes.

13. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition 1 (Continued)

Goodwill arose in the Acquisition 1 because the cost of the combination included amounts in relation to the benefit of expected synergies, expand client bases and connections to professional organisations in the fields of high end arts and collections auction and cultural relics and the development of the Group's online and offline arts and collections related business, and further enhance corporate growth and achieve cost reduction and operation efficiency.

	HK$'000
Net cash outflow on the Acquisition 1:	
Cash consideration paid	174,865
Less: Cash and cash equivalents balances acquired	(1,279)
	173,586

Included in the loss for the year is HK$1,018,000 attributable to the additional business generated by Phoenixstar Group. Revenue for the year includes HK$18,546,000 generated from Phoenixstar Group.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$122 million, and loss for the year would have been HK$78 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Phoenixstar Group been acquired at the beginning of the current year, the Directors have calculated depreciation of property, plant and equipment and amortisation of license, brand and customer relationship acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

13. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition 2

On 22 July 2016, the Group entered into a sale and purchase agreement to acquired 85% of equity interest in Digital Mind Holdings Limited and its subsidiaries ("M-Finance Group") for total cash consideration of HK$40,800,000 from an independent third party. This acquisition has been accounted for using the acquisition method. M-Finance Limited is the major subsidiary of Digital Mind Holdings Limited, a company established in the Hong Kong, which is engaged in financial trading technologies and related value-added services business. The transaction was subsequently completed on 26 August 2016 (the "Acquisition 2").

	HK$'000
Consideration transferred	
Cash	28,800
Contingent consideration arrangement, at fair value	10,821
Total	39,621

Under the contingent consideration arrangement included in the sale and purchase agreement, the contingent consideration shall be paid by the Group in the following manner: (a) HK$4 million upon satisfaction of the 1st Profit Guarantee (as defined below) subject to the adjustment as calculated in accordance with the arrangement; (b) HK$4 million upon satisfaction of the 2nd Profit Guarantee subject to the adjustment as calculated in accordance with the arrangement; and (c) the remaining HK$4 million upon satisfaction of the of 3rd Profit Guarantee subject to the adjustment as calculated in accordance with the arrangement.

Profit Guarantee:

The vendor's warranty that the audited consolidated net profit after tax generated from operating activities of the M-Finance Group in its ordinary and usual course of business but excluding the results of certain specified business, prepared in accordance with HKFRSs for the period:

(i) from the date of acquisition to 31 December 2017 ("2017 Profits") will not be less than HK$10 million ("1st Profit Guarantee")

(ii) for the year ending 31 December 2018 (the "2018 Profits") will not be less than HK$9 million ("2nd Profit Guarantee")

(iii) for the six-month ending 30 June 2019 (the "2019 Profits") will not be less than HK$5 million ("3rd Profit Guarantee")

13. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition 2 (Continued)

The consideration for the M-Finance Group is subject to the adjustment in the following manner:

(a) If the amount of the 2017 Profits is more than or equal to HK$10,000,000, then the first adjusted consideration payment will be HK$4,000,000 (i.e. no adjustment). If the amount of the 2017 Profits is less than HK$10,000,000, then the first adjusted consideration payment will be as follows:

A = HK$4,000,000 – (HK$10,000,000 – B) x 12/18 x 6

Where:

A = the first adjusted consideration payment. In case A is a negative, then A is set as zero

B = 2017 Profits (in HK$). In case B is a negative (i.e. loss), then B is set as zero

(b) If the amount of the 2018 Profits is more than or equal to HK$9,000,000, then the second adjusted consideration payment will be HK$4,000,000 (i.e. no adjustment). If the amount of the 2018 Profits is less than HK$9,000,000, then the second adjusted consideration payment will be as follows:

A = HK$4,000,000 – (HK$9,000,000 – B) x 6

Where:

A = the second adjusted consideration payment. In case A is a negative, then A is set as zero

B = 2018 Profits (in HK$). In case B is a negative (i.e loss), then B is set as zero

(c) If the accumulated audited results of the 2017 Profits, 2018 Profits and 2019 Profits is less than HK$24,000,000, then the adjusted total consideration will be as follows:

F = HK$40,800,000 x (2017 Profits + 2018 Profits + 2019 Profits)/HK$24,000,000

Where:

F = the adjusted total consideration (in HK$), which in any event shall be set as zero if it is a negative, and shall be capped at HK$40,800,000.

If the adjusted total consideration exceeds the aggregated amount of the deposits paid, the down payment, the first adjusted consideration payment and the second adjusted consideration payment, such excess will be paid by the Group to the vendor as the final adjusted consideration payment.

13. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition 2 (Continued)

(c) (Continued)

If the adjusted total consideration is less than the aggregated amount of the deposits paid, the down payment, the first adjusted consideration payment and the second adjusted consideration payment, such shortfall will be paid by the vendor to the Company. The vendor, Mr. Lam Tai Wai Stephen and Mr. Tam Chi Weng will be jointly and severally responsible to pay the shortfall to the Group.

The net consideration (after having the above adjustments) shall be in no event less than HK$28,800,000.

The Directors consider it probable that the guarantee will meet and HK$10,821,000 represents the estimated fair value of this contingent liability at the acquisition date.

Acquisition-related costs amounting to HK$815,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	351
Brand	7,166
Developed technology	16,520
Bank and cash balance	4,602
Trade and other receivable	1,358
Tax receivable	397
Other payables	(7,038)
Deferred tax liability	(3,744)
Tax payables	(75)
	19,537

The fair value of trade and other receivables at the date of acquisition amounted to HK$1,358,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$1,358,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

13. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition 2 (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	39,621
Add: non-controlling interests (15% in M-Finance Group)	2,931
Less: net assets acquired	(19,537)
Goodwill arising on acquisition	23,015

The non-controlling interest of 15% in M-Finance Group recognised at the acquisition date was measured at its proportionate share of net assets acquired.

Goodwill arose in the Acquisition 2 because the cost of the combination included amounts in relation to the benefit of expected synergies which consummate the development and implementation of the Group's online arts and collections e-commerce platform.

None of the goodwill arising on the Acquisition 2 is expected to be deductible for tax purposes.

	HK$'000
Net cash outflow on the Acquisition 2:	
Cash consideration paid	28,800
Less: Cash and cash equivalents balances acquired	(4,602)
	24,198

Included in the loss for the year is HK$181,000 attributable to the additional business generated by M-Finance Group. Revenue for the year includes HK$8,811,000 generated from M-Finance Group.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$139 million, and loss for the year would have been HK$74 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had M-Finance Group been acquired at the beginning of the current year, the Directors have calculated depreciation of property, plant and equipment and amortisation of brand and developed technology acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

14. DISPOSAL OF SUBSIDIARIES

(a) On 18 May 2016, UDL Ventures Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interests in UDL Contracting Limited at a total cash consideration equivalent to HK$1. The net liabilities of UDL Contracting Limited at the date of disposal were as follows:

	At 18 May 2016
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Amount due from related companies	25
Bank balances and cash	8
Trade and other payables	(41)
Net liabilities disposed of	(8)
Consideration received	–
Gain on disposal	8
Net cash inflow arising on disposal:	
Cash consideration	–
Less: cash and cash equivalent balances disposed of	8
	(8)

(b) On 2 November 2015, UDL Ventures Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser"), to dispose of its entire equity interests in Net Excel Management Limited and its subsidiaries and joint ventures (the "Net Excel Group") at a total cash consideration equivalent to approximately US$1. The Purchaser accepted to undertake the settlement of all liabilities due from the UDL Group to the Net Excel Group and transfer all cash and bank balance of the Net Excel Group as at the completion date to UDL Ventures Limited. The Net Excel Group was principally engaged in construction and structural steel engineering and rental of motor vehicle in Hong Kong until the completion of disposal on 2 November 2015. The Net Excel Group ceased to be subsidiaries of the Company.

14. **DISPOSAL OF SUBSIDIARIES (CONTINUED)**

(b) (Continued)

Analysis of assets and liabilities of the Net Excel Group at the date of disposal were as follows:

	At 2 November 2015 *HK$'000*
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	915
Club membership	200
Trade and other receivables	1,902
Amounts due from customers for contract work	31
Amount due from related companies	53,773
Amounts due from jointly controlled entities	36,141
Bank balances and cash	10,673
Trade and other payables	(2,141)
Amounts due to customers for contract work	(497)
Amounts due to related companies	(2,395)
Amounts due to directors	(27)
Loan from related parties	(30,000)
Net assets disposed of	68,575
Transfer all cash and bank balance	(10,673)
Waiver of the amount due from related companies	(53,773)
Exchange reserve reclassified from equity to profit or loss upon disposal of subsidiaries	(2,656)
Loss on disposal	1,473
Net cash inflow arising on disposal:	
Cash consideration	(10,673)
Less: cash and cash equivalent balances disposed of	10,673
	–

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	At 31 December 2016	At 31 December 2015
	HK$'000	*HK$'000*
Contingent consideration receivable *(note a)*	**–**	–
Contingent consideration payable *(note b)*	**10,821**	–

notes:

(a) Contingent consideration receivable represents Profit Guarantee underlying the acquisition of Phoenixstar Group.

(b) The balance was recognised as contingent consideration at the time when M-Finance Group was acquired.

Details of the acquisitions are disclosed in Note 13.

Fair value hierarchy

The following table presents the fair value of the Group's contingent liabilities measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement.

	Fair value at 31 December 2016	**Fair value measurements as at 31 December 2016 can be categorised**		
		Level 1	**Level 2**	**Level 3**
The Group	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Contingent liabilities	**10,821**	**–**	**–**	**10,821**

The Group's contingent liabilities were revalued as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle, a firm of independent qualified professional valuers in Hong Kong.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

Information about Level 3 fair value measurements

Items	Valuation technique	Unobservable inputs	Percentage (%)
Contingent liabilities	Discounted cash flow method	Discount rate	4.9

As at 31 December 2016, it is estimated that with all other variables held constant, a increase/decrease in discount rate by 10% (to 5.39%/4.41%) would have decreased/increased the Group's loss for the year by HK$90,000/HK$92,000.

16. EVENT AFTER END OF THE REPORTING PERIOD

On 16 January 2017, the Company announced that an indirect wholly-owned subsidiary of the Company entered into the sale and purchase agreement with Da Tang Xi Shi International Holdings Limited which is the controlling shareholder of the Company (the "Vendor"), pursuant to which to acquire (i) 100% of the equity interests of Best Merit Global Limited (the "Target Company"), a wholly-owned subsidiary of the Vendor, as to indirectly acquire the property wholly-owned by the Target Company, and its subsidiaries; and (ii) the arts and cultural collectibles owned by the Vendor at total consideration of HK$163,265,000 which was settled by the allotment and issuance of 51,020,312 new shares of the Company at HK$3.2 per share.

The above acquisition, approved by the independent shareholders of the Company in the special general meeting held on 27 February 2017, was completed on 1 March 2017. Details of the acquisition can be referred to the announcements and circular of the Company dated 16 January 2017, 8 February 2017 and 1 March 2017, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

In view of alignment with the financial year end date of a number of subsidiaries of the Company incorporated in the PRC and its controlling shareholder, which will facilitate the preparation of the audited consolidated financial statements and better planning in order to improve the overall operational efficiency of the Company and its subsidiaries, the financial year end date of the Company was changed from 31 July to 31 December. It should be noted that the 2016 financial information presented herein which covered the twelve months ended 31 December 2016 are being compared with that for the financial period which covered the five months ended 31 December 2015. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

The Group achieved revenue of HK$122.3 million for the year ended 31 December 2016 (for the five months ended 31 December 2015: HK$60.2 million) and recorded a loss of HK$73.5 million for the year ended 31 December 2016 (for the five months ended 31 December 2015: loss of HK$20.7 million). Excluding a non-cash share-based payment of HK$13.8 million as a result of granting of share options during the year and share of losses of joint ventures of HK$16.6 million, the consolidated loss for the year would be HK$43.1 million.

Jewellery Division

The sales of jewellery contributed a revenue of HK$10.5 million for the year ended 31 December 2016 (for the five months ended 31 December 2015: HK$38.5 million) and a segment profit of HK$0.1 million (for the five months ended 31 December 2015: HK$0.4 million).

Following the change of controlling shareholder in mid-2015, the Group has been leveraging on its business network, those hundreds of jewellery and arts related businesses operating at its Tang West Market in Xian, the PRC, being one of the largest of such market in the Mainland China. During the year, through such business network, the Group successfully executed trades on certain jade stones and recorded a segment profit.

It is the intention of the Group to continue develop the jewellery trading business in the Mainland China. And, the Group is going to formulate a sustainable long term strategy for the development of this business which include partnering with industry leaders as well as investment into jewellery related businesses.

Auction Division

Auction business achieved a post-acquisition revenue of HK$18.5 million and a post-acquisition segment profit of HK$2.4 million for the year ended 31 December 2016.

During the year, the Group acquired its first ever auction business. On 11 July 2016, the Company completed, through a series of structured arrangements, the acquisition of the entire interests in Phoenixstar, a Beijing based boutique auction house specialising in arts and collections auction business, in particular Chinese bronzeware and jadeware. It is qualified as an auction house for cultural relics pursuant to the requirement of 北京市文物局 (the Beijing Municipal Administration of Cultural Heritage*) and has been issued with such license by 國家文物局 (the State Administration of Cultural Heritage*), as well as 拍賣經營批准證書 (the Certificate of Approval for Auction Business*) by 北京市商務委員會 (the Beijing Municipal Commission of Commerce*). This acquisition not only provides a new revenue stream to the Group, but also creates a new offline sales channel for the planned online marketplace.

Since completion of the acquisition, several small scale auctions in Xian, the PRC and a large scale auction in Beijing, the PRC were held during the year. With the financial support from the Group, Phoenixstar has developed and expanded into the business of auction prepayments and art financing which not only allows more flexibility to our auction participants and is capable of gaining more market share, but also derives additional income source. In addition, Phoenixstar is planning to expand its auction business geographically by conducting its first auction in Hong Kong during 2017. It is the intention of the Group to leverage on its controlling shareholder's business network to attract more auction participants from different special interests groups, mainly in the arts and collections items, such as Chinese paintings.

Fintech Division

This Division contributed a post-acquisition revenue of HK$8.8 million for the year ended 31 December 2016 and a post-acquisition segment profit of HK$0.2 million.

On 26 August 2016, the Group completed the acquisition of an 85% equity interests in the M-Finance Group. The M-Finance Group engages in the financial e-commerce business and is one of the market leaders in the greater China area providing real-time mission critical forex/bullion/commodities trading platform solutions. It was awarded the title of "The Best Trading Platform Provider in Asia" in the 2016 China (Shenzhen) Forex Expo. It is the intention of the Group to leverage on M-Finance Group's seasoned management team and proven technological capacities to develop the Group's online e-commerce platform for arts and collections related business, as well as to identify and develop other Fintech related businesses whereby M-Finance Group does have an advantageous edge.

Engineering Services Division

For the purpose of better reflection in the Group's current diversification of business activities, this Division has now been grouped from the previously reported Construction and Structural Steel Engineering, Marine Engineering and Sale of Vessels Divisions into one division and presented as, namely, the Engineering Services Division.

* *For identification purpose only*

This Division recorded a revenue of HK$84.5 million (for the five months ended 31 December 2015: HK$21.7 million) and a segment loss of HK$50.3 million (for the five months ended 31 December 2015: HK$21.0 million) for the year ended 31 December 2016.

Since this Division has already been underperformed continuously in the past few years, the management is in the process of conducting a critical review of its strategic positioning, business operations and financial performance for the purpose of developing a sustainable business plan, in particular, a feasible plan to leverage on the strong business background of our controlling shareholder, which is able to fit in and benefit from the overall strategic goals of the Group.

PROSPECT

In 2017, both Mainland China and the Hong Kong market will usher in unprecedented development opportunities. This will also bring good development opportunities to the Group, marking a milestone with this important turning point for the Group in the history of development.

The overall cultural industry in China is moving toward the new direction set by new ideas and new normal, with a deep level structural adjustment. In the past few years, the growth rate of the cultural industry has been significantly higher than that of the macro economy. The cultural industry in China has gathered its momentum, found new explorations in its business models, set new directions in its development path and has been inspired by new motivations. It is now making long strides heading proudly toward its objective of becoming a pillar industry in the gross national production. In addition, with the penetration by and integration with "Culture+", the cultural industry will continue to flourish in its width and depth, becoming more robust, more extensive in scale and more prestigious. The cultural industry no longer belongs to a niche market. It will emerge like a tidal wave, starting a new trend for the era.

Capitalising on the strong cultural business background of the controlling shareholder, the DTXS group, the Group endeavors to invest, develop and operate an online marketplace for arts and collections including but not limited to jewellery art pieces, teas, wines, Chinese herbal medicines and silk ("Five Commodities of the Silk Road"), symbolising five of the most typical commodities which were traded on the silk road. As one of the Group's development objectives is to provide consumers with an enjoyable shopping experience of high-end art pieces and collections, the Group will therefore focus on the development of online and offline trading of cultural art pieces and cross-border e-commerce businesses. This is a major strategy of the Group in the future with respect to arts and cultural related businesses.

The Group is establishing an offline arts and collections centre with comprehensive functions of arts and collections storage, exhibition and exchange, auction and valuation, promotion and trading, provision of financial services, and even integration with online marketplace. Capitalising on M-Finance Group's well experienced technical personnel, proven know-how and capabilities on e-commerce platform, the Art Central Business District ("ACBD") will offer comprehensive offline experience and convenient online trading through integration of quality artwork resources to construct a service platform characterised by an O2O ecosystem. The acquisition of the Xian ACBD was completed in March 2017. With the strategic location of the property which possesses comparatively high cultural value, the Group will be in its best position to develop its businesses and capitalise on Tang West Market's strong cultural business background. Furthermore, the ACBD in Hong Kong is scheduled to be opened in April 2017. These ACBDs will create a new offline sales channel for the planned online marketplace.

It is only with culture that economic development can prosper, and only with art that life can be colorful. With the abundance of material wealth, people will then pay more attention to the cultivation of artistic appreciation and mental wholeness. China is currently in a golden age of the burgeoning cultural and artistic industry. The Company believes these cultural industry projects, with an ancient heritage tracing back to the civilisation of the Han and Tang dynasties, and a location situated at the thousand-year capital, will sure provide opportunities and benefits to our stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operations and acquisition businesses were mainly financed by funds raised through placing and open offer of new shares in the fourth quarter of 2015.

As at 31 December 2016, the Group's total cash and bank balance amounted to HK$271.9 million, which was denominated mainly in Hong Kong Dollars, representing a decrease of HK$260.0 million as compared with the cash and cash equivalents balance of HK$531.9 million as at 31 December 2015. The decrease was mainly attributable to payments of acquisition cost for Phoenixstar Group of HK$174.9 million and M-Finance Group of HK$28.8 million, totalling HK$203.7 million, net repayment of loans of HK$23.5 million and the Group's cash outflows from operating activities of HK$31.2 million.

As at 31 December 2016, the Group had outstanding secured other borrowings of HK$2.2 million and unsecured other borrowings of HK$15.4 million (as at 31 December 2015: HK$nil). The total amount of other borrowings of HK$17.6 million are repayable within one year.

GEARING

The gearing ratio of the Group (expressed as a percentage of total liabilities over total asset value as at the end of the reporting period) was 15.9% as at 31 December 2016 (31 December 2015: 10.9%). The increase was mainly due to the increase in deferred tax liabilities of HK$30.3 million and contingent liabilities of HK$10.8 million arising from the acquisitions during the year.

FOREIGN EXCHANGE EXPOSURE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars and Renminbi. Income and expenses derived from the operations in the PRC are mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, other than outsourcing vendors but including contract workers, the Group has approximately 150 employees in Hong Kong and the Mainland China (31 December 2015: 80). Total staff costs of the Group, excluding contract workers, amounted to HK$50.2 million for the year ended 31 December 2016, as compared with HK$12.0 million for the five months ended 31 December 2015. There was no material change to the staff policy during the year ended 31 December 2016. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. The emoluments of the Directors and senior management of the Company are determined by the remuneration committee of the Company and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

HEDGING, ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Except as disclosed in Notes 13 and 14 to the consolidated financial statements of the Company for the year ended 31 December 2016, during the year, the Group did not (i) employ any financial instruments for hedging purposes; (ii) undertake any material acquisitions or disposals of assets, business or subsidiaries; or (iii) make any significant investments.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2016 are set out in Note 15 to the consolidated financial statements of the Company for the year ended 31 December 2016.

USE OF PROCEEDS

The net proceeds raised from shares issued by placing shares on 6 October 2015 (the "Share Placing") and on an open offer on 9 December 2015 (the "Open Offer") were HK$137.6 million and HK$420.3 million, respectively. The original allocation of proceeds from the Share Placing and the Open Offer, the utilisation and remaining balance of the proceeds as at 31 December 2016 summarised below:

(a) The Share Placing

Uses	Original allocation	As at 31 December 2016 Utilised	Remaining balance
	HK$ million	*HK$ million*	*HK$ million*
General working capital and the settlement of certain liabilities of the Group	137.6	137.6	–

Note:

As at 31 December, 2016, the Group had applied as to (i) HK$63.4 million of the net proceeds from the Share Placing for the repayment of certain liabilities; and (ii) HK$74.2 million of the net proceeds from the Share Placing for the general working capital of the Group, of which HK$16.4 million had been utilised for the inventory purchase for the development of the Group's arts and collections business.

(b) The Open Offer

Uses	Original allocation	As at 31 December 2016 Utilised	Remaining balance
	HK$ million	*HK$ million*	*HK$ million*
Repayment of loans	48.0	40.9	7.1
Development of online marketplace for arts and collections	80.0	42.0	38.0[(1)]
Acquisition of inventories for the online marketplace platform	107.4	99.0[(2)]	8.4
Expansion of the operation scale of the Group	36.0	30.6	5.4
Acquisitions for arts and cultural related business	148.9	148.9[(3)]	–
Total	**420.3**	**361.4**	**58.9**

Notes:

1. On 23 May 2016, the Company announced that the Group had entered into a memorandum of understanding to acquire 85% interest in a financial e-commerce company (the "E-commerce Acquisition") with well-established information technology personnel and proven technological capacity in order to develop its online marketplace for arts and collections. The cash consideration for the E-commerce Acquisition is HK$40.8 million (subject to profit guarantee adjustments). The E-commerce Acquisition was subsequently completed on 26 August 2016 and the Group paid HK$28.8 million as the down payment. The Group intends to apply the remaining balance as to (i) HK$12.0 million as contingent consideration payment; and (ii) the remaining balance for other operational working capital, and sales and marketing expenditures for the development of online marketplace for arts and collections as originally planned.

2. The Group originally planned to utilise HK$28.4 million for the acquisition of Mao Tai Wine under a wine purchase agreement (the "Wine Purchase Agreement") dated 2 November 2015. On 31 March 2016, the Company announced that the Group had utilised HK$5.6 million for the completion of the first stage of the purchase of Mao Tai Wine. On 3 July 2016, the Company further announced that since the Wine Purchase Agreement for the purchase of the remaining 2,700 bottles of the Mao Tai Wine had lapsed and the Group intended to apply the remaining amount of HK$22.8 million to acquire other inventories to develop its online and offline arts and collections related business. As at 31 December 2016, the Group further utilised HK$70.6 million to acquire other inventories to develop its online and offline arts and collections related business.

3. On 20 June 2016, the Company announced that the Group entered into a sale and purchase agreement to acquire 100% interest in a company which is principally engaged in the arts and collections auction business in the Mainland China at a total consideration of RMB250.0 million. This acquisition was subsequently completed on 11 July 2016. The Group utilised HK$174.9 million to satisfy the cash portion of the consideration.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 (for the five months ended 31 December 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the financial year, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Throughout the financial year, the Company has complied with the applicable code provisions (the "Code") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, save for the followings:

- Code A.5.1 requires the Nomination Committee should be chaired by the chairman of the Board or an Independent Non-executive Director (the "Chairman"). During the year, whilst the majority members of the Nomination Committee are Independent Non-executive Directors, its Chairman was Mr. Wong Kwok Tung Gordon, an Executive Director and Chief Executive Officer of the Company. Whilst the Board considers that Mr. Wong Kwok Tung Gordon has adequate experience and capability to be the Chairman, in order to strictly comply with the Code, the Board has appointed Mr. Lu Jianzhong, the chairman of the Board, as the Chairman with effect from 30 March 2017; and

- Code A.6.7 requires that Independent Non-executive Directors and other Non-executive Directors should attend general meetings of the Company. Due to other pre-arranged business commitments which had to be attended, two Non-executive Directors and three Independent Non-executive Directors were absent from the annual general meeting of the Company held on 2 June 2016; and three Non-executive Directors and two Independent Non-executive Directors were absent from the special general meeting of the Company held on 25 January 2016.

CHANGE OF COMPOSITION OF THE NOMINATION COMMITTEE

The Board announces that Mr. Lu Jianzhong, an Executive Director and the chairman of the Board, has been appointed as, and Mr. Wong Kwok Tung Gordon has ceased to be, the Chairman of the Nomination Committee with effect from 30 March 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and senior management of the Company. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the requirements under the Model Code throughout the financial year.

AUDIT COMMITTEE

The Company established the Audit Committee to review and supervise the financial reporting process, risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises all Independent Non-executive Directors, namely, Mr. Cheng Yuk Wo, Ms. Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec. Mr. Cheng Yuk Wo is the chairman of the Audit Committee.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2016 in conjunction with the external auditor of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU ("DELOITTE")

The figures as set out in this announcement in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 have been agreed by the auditor of the Company, Deloitte, to the amounts set out in the consolidated financial statements of the Company for the year. The work performed by Deloitte 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 HKICPA and consequently, no assurance bas been expressed by Deloitte on this announcement.

ENTITLEMENT TO ATTEND AND VOTE AT THE 2017 AGM

The annual general meeting of the Company (the "2017 AGM") will be held on Tuesday, 23 May 2017. The register of members of the Company will be closed from Wednesday, 17 May 2017 to Tuesday, 23 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2017 AGM, all share certificates with completed transfer documents must be lodged with the Branch Share Registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 May 2017. The notice of the 2017 AGM will be published on the websites of the Company (www.dtxs.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

2016 ANNUAL REPORT

The 2016 annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (www.dtxs.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

By Order of the Board
DTXS Silk Road Investment Holdings Company Limited
Wong Kwok Tung Gordon
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2017

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Wong Kwok Tung Gordon (Chief Executive Officer) and Mr. Yang Xingwen; three Non-executive Directors, namely Mr. Wang Shi, Mr. Jean-Guy Carrier and Mr. Tse Yung Hoi; and three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Ms. Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec.