ANNUAL REPORT 2016

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)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lu Jianzhong *(Chairman)*
Mr. Wong Kwok Tung Gordon
(Chief Executive Officer)
Mr. Yang Xingwen

Non-executive Directors
Mr. Wang Shi
Mr. Jean-Guy Carrier
Mr. Tse Yung Hoi

Independent Non-executive Directors
Mr. Cheng Yuk Wo
Ms. Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec

AUDIT COMMITTEE
Mr. Cheng Yuk Wo *(Chairman)*
Ms. Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec

NOMINATION COMMITTEE
Mr. Lu Jianzhong *(Chairman)*
Mr. Cheng Yuk Wo
Mr. Tsui Yiu Wa, Alec

REMUNERATION COMMITTEE
Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Wong Kwok Tung Gordon
Mr. Cheng Yuk Wo

COMPANY SECRETARY
Mr. Hon Ping Cho Terence

REGISTERED OFFICE
Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 2602, 26/F
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA
Estera Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS
As to Hong Kong law:
Jeffrey Mak Law Firm
DLA Piper Hong Kong

As to Bermuda law:
Appleby Spurling & Kempe

PRINCIPAL BANKERS
China Everbright Bank Hong Kong Branch
Bank of China (Hong Kong) Limited

WEBSITE
www.dtxs.com

STOCK CODE
620

Dear Shareholders,

On behalf of the board of directors (the "Directors" or the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report for the year ended 31 December 2016.

In January 2016, the Company's name was changed from UDL Holdings Limited (太元集團有限公司) to DTXS Silk Road Investment Holdings Company Limited (大唐西市絲路投資有限公司). This change not only provides the Company with a fresh corporate identity, an opportunity to continue with our glorious history and restore a nation's dream of prosperity, but also better reflects the Company's business, strategy and corporate identity.

FINANCIAL RESULTS

During the year under review, the Group recorded a total revenue of HK$122,300,000 (for the five months ended 31 December 2015: HK$60,200,000). The net loss attributable to owners of the Company was HK$73,500,000 (for the five months ended 31 December 2015: loss of HK$20,700,000). 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).

2016: TWO MAIDEN ACQUISITIONS

In this global social revolution and economic transformation period, this is the best time with abundance of opportunities for well-established enterprises to consolidate resources, innovate and make breakthrough, integrate and expand, and override competitors.

During the year, the Group completed the acquisitions of China King Sing Lun Fung Auction Holdings Company Limited and its subsidiaries ("Phoenixstar Group"), an auction business in the Mainland China, and Digital Mind Holdings Limited and its subsidiaries ("M-Finance Group"), a financial e-commerce business in Hong Kong. These two acquisitions not only create a new offline sales channel for the planned online marketplace, but through guaranteed profits, also bring steady and sustainable sources of income to the Group. At the same time, the complementary advantage and diversified business development also contribute to the support of the Group's online marketplace development.

Chairman's Statement

OUTLOOK

In 2017, both the Mainland China and 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 the economy of China 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 representative 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 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 this 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 Hong Kong ACBD 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our heartfelt appreciation to all the shareholders of the Company, business partners and customers for their enduring trust and support for the Group. I would also like to express my appreciation to my management team and all the staff of the Group for their continuing dedication and valuable contribution.

Lu Jianzhong
Chairman

30 March 2017

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 People's Republic of China (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 this annual report 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: 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 an one-off share of losses of joint ventures of HK$12.2 million arising from impairment of its non-current assets, the consolidated loss for the year would be HK$47.5 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 Group completed, through a series of structured arrangements, the acquisition of the entire interests in 北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*) ("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.

* *For identification purpose only*

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 in 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.

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 prospect for the purpose of developing a sustainable business plan, in particular, with the feasibility 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

A discussion on the prospect of the Group can be found under the section headed "Outlook" in the Chairman's Statement on page 4 of this annual report.

PRINCIPAL RISK AND UNCERTAINTIES

During the year, the Group engaged an international advisory firm in an enterprise risk management advisory service to assist the Company in developing an enterprise risk management framework and performing risk assessment. As a result of the assessment, the following key risk exposures are identified:

1. Strategic Risks

   (i) Investment and post-investment management risk

   (ii) Overall competitive environment

   (iii) Risk of slow-down in the Mainland China and global economies as well as change of market environment

2. Operation Risks

   (i) Risk of authentication, appraisal and valuation of artworks

   (ii) Difficulty to predict the quantity and quality of artworks collected for auction

   (iii) Difficulty to prevent and discover the occurrence of money-laundering activities

   (iv) Risk of damage or theft for artworks consigned for sale

   (v) Failure to attract and retain key management personnel and professional staff and lack of succession planning for key personnel

3. Financial Risks

   (i) Difficulty to fully recover prepayments provided to consignor

   (ii) Foreign currency risk

4. Governance, Compliance and Legal Risks

   (i) Challenging on overall ethical environment

   (ii) Ineffective communication between and amongst the Board and the management of the acquired businesses

   (iii) Risk of non-compliance with relevant laws and regulations and not able to respond to changes in laws and regulations timely

   (iv) Risks relating to structured contracts on auction business

In response to the risks mentioned above, the Company has formulated and adopted the risk management policy in providing directions in evaluating and management significant risks. In addition, the Company has engaged an external professional to conduct annual review on the effectiveness of the risk management and internal control systems of the Group.

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 of the Company (the "Share(s)") 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: 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 34 and 35 to the consolidated financial statements, 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 36 to the consolidated financial statements.

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 for the repayment of certain liabilities; and (ii) HK$74.2 million 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$93.4 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.

DIRECTORS

Executive Directors

Mr. Lu Jianzhong ("Mr. Lu"), aged 53, was appointed as the Chairman and an Executive Director on 8 December 2015, and the chairman of the nomination committee of the Company on 30 March 2017. Mr. Lu graduated from Northwestern Polytechnical University (西北工業大學) with a Master in Industrial Engineering. He is the founding chairman and director of 大唐西市文化產業投資集團有限公司 ("DTXS Investment"), the ultimate controlling shareholder of the Company.

Mr. Lu has received various awards and honors including Special Government Allowances of the State Council as a National Expert (國務院特殊津貼專家); member of the Economic Committee of the Chinese Peoples' Political Consultative Conference (全國政協經濟委員會); chairman of the Silk Road Chamber of International Commerce (絲綢之路國際總商會), vice president of the China Chamber of International Commerce ("CCOIC") (中國國際商會); chairman of the Cultural Industry Committee of CCOIC (中國國際商會文化產業委員會); vice president of China Private Cultural Industry Chamber of Commerce (中國民營文化產業商會); president of China Alliance of Private Museums (全國民辦博物館協作體); and consultant to the Association of Chinese Intangible Cultural Heritage Protection (中國非物質文化遺產保護協會).

Mr. Lu has also been awarded "The Third Session of National Outstanding Builders of the Socialism with Chinese Characteristic" (全國第三屆優秀中國特色社會主義事業建設者); "Annual Outstanding Individual of China Cultural Heritage Protection" (薪火相傳-中國文化遺產保護年度傑出人物); "Chinese Culture Leading Figure" (中華文化人物); "Annual Leading Figure of Chinese People" (中華兒女年度人物); "Top Ten Leading Figure of China Private Enterprises" (中國民營企業十大人物); "The Outstanding Shaanxi Businessman" (全球秦商風雲人物); and "Annual Leading Figure of Culture Industry in 2013" (2013中國文化產業年度人物).

Mr. Wong Kwok Tung Gordon ("Mr. Wong"), aged 42, was appointed as an Executive Director on 29 July 2015 and the Chief Executive Officer and a member of the remuneration committee of the Company on 2 November 2015. Mr. Wong has extensive financial and accounting experience in various industries, and has previously worked in an accounting firm and an investment bank. He holds a Bachelor of commerce from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He is also a director of Da Tang Xi Shi International Holdings Limited, the immediate controlling shareholder of the Company.

Mr. Yang Xingwen ("Mr. Yang"), aged 54, was appointed as an Executive Director of the Company on 8 December 2015. Mr. Yang graduated from Beijing Language and Literature Self-Study University (北京語言文學自修大學), with an associate degree in literature. He also studied at the Central Party School Correspondence College (中央黨校函授學院), majoring in economics, and obtained the professional title of economist. Mr. Yang has extensive financial and accounting experience, he is currently serving as the vice chairman of DTXS Investment and is in-charging of all financial matters of DTXS Investment and its subsidiaries. He is also a shareholder of DTXS Investment. Mr. Yang began his career in Shaanxi province and previously held offices at Shaanxi Jia Xin Industry Group Company Limited (陝西佳鑫實業集團有限公司).

Directors and Senior Management

Non-executive Directors

Mr. Wang Shi ("Mr. Wang"), aged 68, was appointed as a Non-executive Director of the Company on 8 December 2015. Mr. Wang is a famous social worker and a cultural critic. He was enlisted in the year of 1968, and has taught at People's Liberation Army Academy of Art (中國人民解放軍藝術學院) and Peking University (北京大學), lectured on the Form Theory of Art, as well as the Introduction to Art. He started presided over the daily work of the Chinese Culture Promotion Society (中華文化促進會) from 1992, served as deputy secretary general and the secretary general. He is currently the president of Chinese Culture Promotion Society, and a part-time professor at National School of Administration (國家行政學院), as well as the honorary chairman of the Silk Road Chamber of International Commerce (絲綢之路國際總商會). Mr. Wang planned the "20th Century Classical Chinese Music" (20世紀華人音樂經典) activities and the compilation of "Twenty-Four Histories" (今注本二十四史). He also organised "Chinese Culture Summit" (中華文化論壇), "Chinese Culture's Person of the Year Award" (中華文化年度人物), "Cross-Strait Culture Dialogue" (兩岸人文對話) and a number of other major cultural projects. His main works include: Brief Analysis of Literature and Art (文藝簡論), Lu Xun and His Novels (魯迅與他的小説), Wreaths at the Foot of the Mountain (adaptation) (高山下的花環), In That Place Wholly Faraway (在那遙遠的地方) and Dunhuang Tales of the Night (敦煌夜譚).

Mr. Jean-Guy Carrier ("Mr. Carrier"), aged 71, was appointed as a Non-executive Director of the Company on 8 December 2015. He is the president of the consulting firm namely Carrier Walker International. He is the senior international advisor to the leadership of the Tang West Market Group, China (中國大唐西市集團). His work in China includes a position as senior fellow of the Chongyang Institute for Financial Studies at Beijing's Renmin University (北京中國人民大學重陽金融研究院). Mr. Carrier led the International Chamber of Commerce ("ICC") as Secretary General from 2010 to June 2014. He was also the director of ICC's Research Foundation from 2009 to 2014. His accomplishments as Secretary General of ICC include enhancing its role as the voice of international business through active participation in the policy process of the G20 group of governments. Mr. Carrier has occupied senior leadership positions with various international organisations, most notably with the World Trade Organisation, from 1996 to 2008. Mr. Carrier is the author of six books ranging from literature to studies of various sectors of public policy. He has edited several collections of works on aspects of international trade. Mr. Carrier holds a Bachelor of Science from the University of Ottawa. Mr. Carrier was born in Canada and has lived and worked in many regions of the world in the course of his international career.

Mr. Tse Yung Hoi ("Mr. Tse"), aged 64, was appointed as a Non-executive Director of the Company on 8 December 2015. Mr. Tse graduated from English studies from the department of foreign language of Fudan University in July 1975. He is currently the chairman and non-executive director of BOCI-Prudential Asset Management Limited. Mr. Tse serves as Member of HKSAR Financial Services Development Council, Standing Committee Member of The Chinese General Chamber of Commerce and Permanent Honorary President of Chinese Securities Association of Hong Kong. Mr. Tse is also the independent non-executive director of Global Tech (Holdings) Limited (stock code: 143) and iOne Holdings Limited (stock code: 982), both companies are listed in Hong Kong. He also serves as an independent non-executive director of BOCOM International Holdings Company Limited and Shenzhen Qianhai Financial Holdings Company Ltd. He was an independent non-executive director of China Life Insurance (Overseas) Company Limited for the period from 1 January 2010 to 31 March 2016. Mr. Tse was awarded the Bronze Bauhinia Star (BBS) by the government of HKSAR in 2013.

Independent Non-executive Directors

Mr. Cheng Yuk Wo ("Mr. Cheng"), aged 56, was appointed as an Independent Non-executive Director, chairman of audit committee and member of remuneration committee and nomination committee of the Company on 2 November 2015, respectively. He is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada and the Chartered Professional Accountants of Canada. He is a co-founder of a Hong Kong merchant banking firm and is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) in Accounting from the University of Kent, England. Mr. Cheng had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and with Swiss Bank Corporation (now known as UBS AG) in Toronto.

Mr. Cheng is also an independent non-executive director of C.P. Lotus Corporation (stock code: 121), Chia Tai Enterprises International Limited (stock code: 3839), Chong Hing Bank Limited (stock code: 1111), CPMC Holdings Limited (stock code: 906), CSI Properties Limited (stock code: 497), Goldbond Group Holdings Limited (stock code: 172), HKC (Holdings) Limited (stock code: 190), Liu Chong Hing Investment Limited (stock code: 194), Miricor Enterprises Holdings Limited (stock code: 8358), Somerley Capital Holdings Limited (stock code: 8439) and Top Spring International Holdings Limited (stock code: 3688). All of these companies are listed in Hong Kong.

Ms. Fan Chiu Fun, Fanny ("Ms. Fan"), aged 64, was appointed as an Independent Non-executive Director and member of audit committee of the Company on 8 December 2015. Ms. Fan graduated from the University of Hong Kong with Honours degree in Science. She received a Master in Public Administration from Harvard University and was named a Littauer Fellow. She also has a Master in Education from The Chinese University of Hong Kong. Prior to her retirement from civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years in civil service, Ms. Fan worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education. Ms. Fan is currently a Hong Kong SAR Deputy to the 12th National People's Congress of the People's Republic of China, a non-official member of the Executive Council of the Government of Hong Kong SAR, a director of the Fan Family Charitable Trust Fund, the special advisor to the China-US Exchange Foundation and the honorary principal of Ningbo Huizhen Academy (寧波市惠貞書院). She is also an independent non-executive director of China Unicom (Hong Kong) Limited (stock code: 762), CLP Holdings Limited (stock code: 002) and Nameson Holdings Limited (stock code: 1982), which are companies listed in Hong Kong, the chairperson of the Hong Kong Science and Technology Parks Corporation and an external director of China Resources (Holdings) Co., Ltd..

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 67, was appointed as an Independent Non-executive Director, chairman of remuneration committee and member of audit committee and nomination committee of the Company on 8 December 2015, respectively. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science and holds a Master of Engineering in Industrial Engineering. He completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission prior to joining The Stock Exchange of Hong Kong Limited in 1994 as an executive director of the Finance and Operations Services Division and became the chief executive in 1997. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002.

Mr. Tsui is currently the director of WAG Worldsec Management Consultancy Limited, an independent non-executive director of a number of listed public companies including COSCO SHIPPING International (Hong Kong) Co., Ltd. (formerly known as COSCO International Holdings Limited) (stock code: 517), Kangda International Environmental Company Limited (stock code: 6136), Pacific Online Limited (stock code: 543) and Summit Ascent Holdings Limited (stock code: 102), all of which are listed in Hong Kong, Melco Crown Entertainment Limited (stock code: MPEL), a company listed on NASDAQ and Melco Crown (Philippines) Resorts Corporation (stock code: MCP), a company listed in Philippines and an independent director of ATA Inc. (stock code: ATAI), a company listed on NASDAQ. He is also an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited ("ICBC (Asia)") starting from 2000. ICBC (Asia) was listed in Hong Kong until December 2010 when it was privatised.

SENIOR MANAGEMENT

Mr. Hon Ping Cho Terence ("Mr. Hon") was appointed as the Chief Financial Officer and the Company Secretary of the Company on 2 June 2016 and 30 November 2016 respectively. He has over 30 years of experience in auditing, accounting, treasury and financial management both in an international accounting firm and various listed companies in Hong Kong. Mr. Hon obtained a Master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) arts and collections related business; (ii) auction business; (iii) financial e-commerce business; and (iv) marine, construction and structural steel engineering and related services. The principal activities and other particulars of the subsidiaries of the Company are set out in Note 39 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the financial year and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the financial year are provided in the section headed "Chairman's Statement" on pages 3 to 4 and the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report. These discussions form part of this Directors' Report.

RESULTS AND DIVIDENDS

The annual results of the Group for the year ended 31 December 2016 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 40 to 121 of the annual report.

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).

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's five largest customers in aggregate was 73% (for the five months ended 31 December 2015: 75%) of the total revenue of the Group and the largest customer included therein amounted to 23% (for the five months ended 31 December 2015: 22%).

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate was 49% (for the five months ended 31 December 2015: 76%) of the total purchases of the Group and the largest supplier include therein amounted to 12% (for the five months ended 31 December 2015: 69%).

At any time during the financial year, neither the Directors, their associates nor those shareholders of the Company (the "Shareholders") which to the knowledge of the Directors own more than 5% of the share capital of the Company, held any interest in the Group's five largest customers or suppliers.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the results by business segments and geographical information for the financial year are set out in Note 7 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial years is set out on page 122 of this annual report. The summary does not form part of the audited consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in share capital of the Company during the financial year are set out in Note 30 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on pages 43 to 44 and Note 40 to the consolidated financial statements, respectively.

NON-CURRENT ASSETS

Details of the Group's acquisitions and other movements in non-current assets (including property, plant and equipment, intangible assets and goodwill) during the financial year are set out in Note 34 and Notes 17 to 21 to the consolidated financial statements.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

Executive Directors:
Mr. Lu Jianzhong *(Chairman)*
Mr. Wong Kwok Tung Gordon *(Chief Executive Officer)*
Mr. Yang Xingwen

Non-executive Directors:
Mr. Wang Shi
Mr. Jean-Guy Carrier
Mr. Tse Yung Hoi

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Ms. Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec

Details of the Directors' biographies as of the date of this annual report are set out in the section headed "Directors and Senior Management" on pages 11 to 14 of this annual report. Save as disclosed, there was no change in information of the Directors during the financial year and up to the date of this report which was required to be disclosed pursuant to the Rule 13.51B of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In accordance with bye-laws 99(A) and 182(vi) of the bye-laws of the Company (the "Bye-Laws") and Appendix 14 of the Listing Rules, Mr. Lu Jianzhong, Mr. Jean-Guy Carrier and Ms. Fan Chiu Fun, Fanny shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "2017 AGM").

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2017 AGM has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained Directors' liability insurance that provides appropriate cover for the Directors.

DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year, nor had there been any contract or arrangement in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees are one of the most important assets of the Group and their contribution and support are valuable. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Other fringe benefits, such as employees' provident fund and share options, if applicable, are provided to attract and retain talents helping the Group in success.

The Group maintains effective communications with its customers and strives to satisfy customers' requirements from time to time, in order to provide high quality services to its customers.

The Group establishes co-operative relationships with reputable suppliers within the industries and conducts a fair appraisal of its suppliers on regular intervals.

ENVIRONMENTAL POLICIES

The Group supports sustainable development by conducting its business in an environmentally responsible manner. It has established a culture of energy saving in business operations and carried out various measures to mitigate its carbon emissions.

Details of the environmental policies of the Company during the financial year are set out in the section headed "Environmental, Social and Governance Report" on pages 32 to 34 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Directors and the management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the financial year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as the share option scheme disclosed below, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company (the "Chief Executive") or any of their associates in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered into the register maintained by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Interests in Shares and underlying Shares

Name of Director	Number of ordinary Shares of HK$0.50 each and nature of interest: Personal interests	Corporate interests	Number of share options (note 2): Personal interests	Total	Approximate percentage of shareholding (note 3)
Mr. Lu Jianzhong	-	325,680,424 (note 1)	3,500,000	329,180,424	65.30%
Mr. Wong Kwok Tung Gordon	-	-	2,500,000	2,500,000	0.50%
Mr. Yang Xingwen	-	-	2,500,000	2,500,000	0.50%
Mr. Wang Shi	-	-	250,000	250,000	0.05%
Mr. Jean-Guy Carrier	-	-	250,000	250,000	0.05%
Mr. Tse Yung Hoi	-	-	250,000	250,000	0.05%
Mr. Cheng Yuk Wo	-	-	250,000	250,000	0.05%
Ms. Fan Chiu Fun, Fanny	-	-	250,000	250,000	0.05%
Mr. Tsui Yiu Wa, Alec	-	-	250,000	250,000	0.05%

Notes:

1. 325,680,424 Shares were held by Da Tang Xi Shi International Holdings Limited ("Da Tang"). Da Tang was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by 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"). Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investment, was interested in approximately 50.60% of the issued registered capital of DTXS Investment. As such, Mr. Lu Jianzhong was deemed to be interested in 325,680,424 Shares.

2. Particulars of share options of the Company are set out in the section headed "Share Option Scheme" in this Directors' Report.

3. The total number of issued Shares was 504,117,380 as at 31 December 2016.

* *For identification purpose only*

(b) Interests in shares of DTXS Investment, an associated corporation of the Company

Name of Director	Number of shares	Approximate percentage of issued registered capital of DTXS Investment
Mr. Lu Jiangzhong	110,000,000	50.60%
Mr. Yang Xingwen	30,000,000	13.80%

Save as disclosed above, as at 31 December 2016, none of the Directors nor the Chief Executive nor any of their associates had or was deemed to have any interests or short positions in any Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as being known to the Directors or Chief Executive, the persons (other than a Director or Chief Executive) had or were deemed to have any interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Interests in Shares

Name of shareholder	Nature of interest/ capacity	Number of ordinary Shares of HK$0.50 each	Approximate percentage of shareholding *(note 3)*
Da Tang	Beneficial owner	325,680,424 *(note 1)*	64.60%
Da Tang Xi Shi International Group Limited	Interest in controlled corporation	325,680,424 *(note 1)*	64.60%
DTXS Investment	Interest in controlled corporation	325,680,424 *(note 1)*	64.60%
Ms. Zhu Ronghua	Interest of spouse	329,180,424 *(note 2)*	65.30%

Notes:

1. Da Tang was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by DTXS Investment, which was owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen.

2. Ms. Zhu Ronghua was deemed to be interested in 329,180,424 Shares through the interest held by her spouse, Mr. Lu Jianzhong.

3. The total number of issued Shares was 504,117,380 as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors or Chief Executive was aware of any person (other than a Director or Chief Executive) had or were deemed to have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders of the Company on 6 December 2012 (the "2012 Scheme"). A summary of the principal terms of the 2012 Scheme is set out below:

1.	Purpose:	(i) To recognise and acknowledge the contributions eligible participants had or may have made to the Group; and (ii) to provide eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (a) motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.
2.	Participants:	Eligible participants means (i) any full-time employees of the Group; (ii) any Directors of the Group (iii) any advisers, consultants, suppliers and agents to the Group; and (iv) such other persons who have contributed to the Group.
3.	Total number of Shares available for issue under the 2012 Scheme and percentage of the issued Share capital that it represents as at the date of this annual report:	The original maximum number of Shares which could be issued upon exercise of all options granted or to be granted under the 2012 Scheme was 27,229,248 Shares (the "2012 Scheme Mandate Limit"), representing approximately 10% of the issued Shares of the Company as at 6 December 2012, the date on which an ordinary resolution was passed by the Shareholders of the Company to approve the 2012 Scheme. The 2012 Scheme Mandate Limit was refreshed and increased to 47,463,590 Shares, representing approximately 10% of the issued Shares of the Company as at 2 June 2016, the date on which an ordinary resolution was passed by the Shareholders of the Company to approve the refreshment of the 2012 Scheme Mandate Limit. As at the date of this report, a total of 25,963,590 Shares (excluding the underlying Shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2012 Scheme, which represented approximately 4.68% of the issued Share capital of the Company on that date.
4.	Maximum entitlement of each participant:	The total number of Shares issued and which may fall to be issued upon exercise of the options granted to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

5.	Period within which the Shares must be taken up under an option:	The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6.	Minimum period for which an option must be held before it can be exercised:	As determined by the Board.
7.	Amount payable on acceptance of an option and the period within which payments shall be made:	HK$1 shall be payable to the Company upon acceptance of the option not later than 30 days after the date of offer.
8.	Basis of determination of the exercise price:	The exercise price shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of grant; (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share.
9.	Remaining life of the 2012 Scheme:	Valid and effective for a term of 10 years from the date of adoption until 5 December 2022.

The following table shows the movements in share options under the 2012 Scheme during the year ended 31 December 2016 and the outstanding share options at the beginning and end of the year:

Name or category of participants	Date of grant	Exercise price per Share (HK$)	Exercise period (note 2)	At 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2016
				Number of underlying Shares under share options				
(a) Directors								
Mr. Lu Jianzhong	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	3,500,000	–	–	3,500,000
Mr. Wong Kwok Tung Gordon	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	2,500,000	–	–	2,500,000
Mr. Yang Xingwen	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	2,500,000	–	–	2,500,000
Mr. Wang Shi	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	250,000	–	–	250,000
Mr. Jean-Guy Carrier	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	250,000	–	–	250,000
Mr. Tse Yung Hoi	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	250,000	–	–	250,000
Mr. Cheng Yuk Wo	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	250,000	–	–	250,000
Ms. Fan Chiu Fun, Fanny	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	250,000	–	–	250,000
Mr. Tsui Yiu Wa, Alec	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	250,000	–	–	250,000
Sub-total				–	10,000,000	–	–	10,000,000
(b) Employees in aggregate	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	4,000,000	–	–	4,000,000
	21/12/2016	3.71	21/12/2017 to 20/12/2026	–	5,850,000	–	–	5,850,000
Sub-total				–	9,850,000	–	–	9,850,000
(c) Other eligible participants	28/01/2016	3.00	28/01/2017 to 27/01/2026	–	1,500,000	–	–	1,500,000
	21/12/2016	3.71	21/12/2017 to 20/12/2026	–	150,000	–	–	150,000
Sub-total				–	1,650,000	–	–	1,650,000
Total				–	21,500,000	–	–	21,500,000

Notes:

1. The closing price per Share immediately before 28 January 2016 and 21 December 2016 (the dates on which the share options were granted) was HK$3.00 and HK$3.61, respectively.

2. Share options granted under the 2012 Scheme shall vest in the grantees in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date":

Vesting Date	Percentage of share options to vest
First anniversary of the date of grant	40% of the total number of shares options granted
Second anniversary of the date of grant	30% of the total number of shares options granted
Third anniversary of the date of grant	30% of the total number of shares options granted

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 37 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There were no provision for pre-emptive rights under the Bye-Laws or there are no restrictions against such rights under the laws of Bermuda where the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the issued Shares of the Company as required under the Listing Rules.

AUDITOR

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, who has been appointed as the auditor of the Company to fill the vacancy following the resignation of Crowe Horwath (HK) CPA Limited with effect from 18 July 2016 and to hold office until the conclusion of the 2017 AGM. A resolution will be proposed to the 2017 AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Lu Jianzhong
Chairman

Hong Kong, 30 March 2017

Corporate Governance Report

The Board is committed to establish and maintain good corporate governance standards. The Board believes that maintaining good standard of corporate governance practices are essential in providing a framework for the Company to enhance corporate value and accountability to all Shareholders.

The Company has adopted the principles and code provisions (the "Code") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its corporate governance practices. Throughout the year ended 31 December 2016, the Company has complied with the Code as set out in the CG Code, save for the followings:

- Code A.5.1 requires the Nomination Committee should be chaired by the chairman of the Board (the "Chairman") or an Independent Non-executive Director. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and senior management of the Company.

The Company has made specific enquiries to all the Directors and they have confirmed their compliance with the requirements as set out in the Model Code throughout the financial year.

Senior management who, because of their offices in the Company, are likely to be in possession of inside information in relation to the Company's securities, have also been requested to comply with the provisions of the Model Code when dealing in the securities of the Company.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises nine members, consisting of three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors, as follows:

Executive Directors:
Mr. Lu Jianzhong *(Chairman)*
Mr. Wong Kwok Tung Gordon *(Chief Executive Officer)*
Mr. Yang Xingwen

Non-executive Directors:
Mr. Wang Shi
Mr. Jean-Guy Carrier
Mr. Tse Yung Hoi

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Ms. Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec

The biographical information of all Directors as of the date of this annual report are set out in the section headed "Directors and Senior Management" on pages 11 to 14 of this annual report. None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of the Chairman and Chief Executive Officer are held by Mr. Lu Jianzhong and Mr. Wong Kwok Tung Gordon separately. The major roles of the Chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the Chief Executive Officer is responsible for execution of the decisions and strategies approved by the Board, focusing on business development and managing day-to-day operations of the Group with the support of Executive Directors and senior management team.

Non-executive Directors

The Non-executive Directors provide the Board a wide range of expertise and experience and bring professional opinions on issues relating to the Group's strategies, development, performance and risk management.

Independent Non-executive Directors

The Independent Non-executive Directors play a significant role in the Board by providing their independent judgements and their views on the strategic decisions, directions, and financial and risk management of the Company. They also provide independent and objective opinions to the Board, give adequate checks and balances to protect the overall interests of the Shareholders and the Group. Throughout the year, the Board consists of three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that all of the Independent Non-executive Directors are independent.

Directors' Appointment and Re-election

Code A.4.1 stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas Code A.4.2 states that all directors, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Executive Directors, Non-executive Directors and Independent Non-executive Directors is appointed for a specific term of three years and is subject to retirement by rotation once every three years. The Company has issued formal letters of appointment to all Directors setting out the key terms of their appointments as required under the Listing Rules.

In accordance with bye-laws 99(A) and 182(vi) of the Bye-Laws and Appendix 14 of the Listing Rules, Mr. Lu Jianzhong, Mr. Jean-Guy Carrier and Ms. Fan Chiu Fan, Fanny shall retire from office by rotation and, being eligible, offer themselves for re-election at the 2017 AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Group.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the relevant information of the Company as well as the services and advice from the Company Secretary and other senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for performing their duties to the Company.

The Directors should disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company. All Directors have confirmed that they have given sufficient time and attention to the affairs of the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Directors' Continuous Professional Development

Every newly appointed Director will receive necessary induction and information to ensure appropriate understanding of the business and operations of the Company and full awareness of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Pursuant to the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be issued to Directors where appropriate.

During the year, the Directors, namely Mr. Lu Jianzhong, Mr. Wong Kwok Tung Gordon, Mr. Yang Xingwen, Mr. Wang Shi, Mr. Jean-Guy Carrier, Mr. Tse Yung Hoi, Mr. Cheng Yuk Wo, Ms. Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec had participated in appropriate continuous professional trainings and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

BOARD COMMITTEES

The Board has established three board committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively "Board Committees"), for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference which are published on the websites of the Company and the Stock Exchange.

The majority of the members of each Board Committee are Independent Non-executive Directors and the list of the chairman and members of each Board Committee is set out in the section headed "Corporate Information" on page 2 of this annual report.

Audit Committee

The Board has adopted the terms of reference of the Audit Committee which are in line with the Code as set out in the CG Code. The Audit Committee is responsible for reviewing and supervision of the Group's financial reporting system, risk management and internal control systems, the scope and nature of the external audit and matters concerning the engagement of external auditor.

The Audit Committee held two meetings during the financial year. The Audit Committee made recommendations to the Board for appointment of new external auditor, considered the reports from the external auditor, reviewed the audited consolidated financial statements for the five months ended 31 December 2015 and the unaudited interim financial statements for the six months ended 30 June 2016 with recommendations to the Board for approval, reviewed internal control system of the Group and discussed with the management and the external auditor on the accounting policies and practices which may affect the Group and financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the internal control system and the consolidated financial statements for the year ended 31 December 2016 with recommendation to the Board for approval.

Remuneration Committee

The Board has adopted the terms of reference of the Remuneration Committee which are in line with the Code as set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the financial year. The Remuneration Committee reviewed the remuneration of Directors and senior management for the year with recommendations to the Board for approval and reviewed the terms of reference of the Remuneration Committee of which no revision was required. Details of the remuneration of Directors for the financial year of 2016 are set out in Note 13 to the consolidated financial statements.

Nomination Committee

The Board has adopted the terms of reference of the Nomination Committee which are in line with the Code as set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

Corporate Governance Report

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held one meeting during the financial year to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting held on 2 June 2016. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

Corporate Governance Functions

The Board is responsible for performing the functions as set out in the Code D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEES MEMBERS

During the financial year, the Board held five meetings. As regards to the general meetings, the Company held a special general meeting on 25 January 2016 and an annual general meeting on 2 June 2016. The attendance record of individual Director at the Board meetings, Board Committees meetings and the general meetings of the Company held during the financial year is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**General Meeting**
Executive Directors					
Mr. Lu Jianzhong *(Chairman)*	4/5	N/A	N/A	N/A	2/2
Mr. Wong Kwok Tung Gordon *(Chief Executive Officer)*	5/5	N/A	1/1	1/1	2/2
Mr. Yang Xingwen	4/5	N/A	N/A	N/A	1/2
Non-executive Directors					
Mr. Wang Shi	3/5	N/A	N/A	N/A	0/2
Mr. Jean-Guy Carrier	4/5	N/A	N/A	N/A	0/2
Mr. Tse Yung Hoi	5/5	N/A	N/A	N/A	1/2
Independent Non-executive Directors					
Mr. Cheng Yuk Wo	5/5	2/2	1/1	1/1	0/2
Ms. Fan Chiu Fun, Fanny	5/5	2/2	N/A	N/A	0/2
Mr. Tsui Yiu Wa, Alec	5/5	2/2	1/1	1/1	1/2

COMPANY SECRETARY

Each of Ms. Yuen Wing Yan, Winnie and Ms. Yung Mei Yee was the Company Secretary of the Company and resigned with effect from 2 June 2016 and 30 November 2016, respectively. Mr. Hon Ping Cho Terence ("Mr. Hon") was appointed as the Company Secretary with effect from 30 November 2016. Details of the change of Company Secretary were set out in the Company's announcements dated 2 June 2016 and 30 November 2016. Mr. Hon is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, Mr. Hon has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Hon is set out in the section headed "Directors and Senior Management" in this annual report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company, which give a true and fair view of the Group's state of affairs, results and cash flows for the year ended 31 December 2016. The Directors consider that the financial statements have been prepared in conformity with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment, and had prepared the financial statement on a going concern basis.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" on pages 35 to 39 of this annual report.

Auditor's Remuneration

Deloitte Touche Tohmatsu ("Deloitte") has been appointed as the external auditor of the Company since 18 July 2016. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by Deloitte and considered that such non-audit services have no adverse effect on the independence of the external auditor.

During the financial year, the fees payable to Deloitte in respect of its audit and non-audit services provided to the Group were as follows:

	HK$'000
Audit service (including interim review)	1,980
Risk management and internal control review	680

Risk Management and Internal Control

During the financial year, the Company engaged an international advisory firm in an enterprise risk management advisory service assisting the Group in developing an enterprise risk management framework and conducting an enterprise risk assessment. According to its recommendations, the Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and the extent of risks that shall be taken in achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted a risk management policy in providing directions in identifying, evaluating and management significant risks. At least on an annual basis, the senior management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an international advisory firm as its risk management and internal control review advisor to conduct the annual review of the effectiveness of the risk management and internal control systems of the Group. Such review is conducted annually and the scope of the review has to be approved by the Audit Committee. Risk management report and internal control report are submitted to the Audit Committee at least once a year.

During the financial year, the Board, through the Audit Committee, conducted an annual review of the effectiveness of the Group's risk management and internal control systems. After reviewing, the Board considers such systems were effectively implemented for the Group as a whole during the year.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

The Company encourages Shareholders to attend general meetings which provide an opportunity for communications between the Shareholders and the Board. Other than communications at the general meetings, Shareholders may put forward any enquiries to the Board by sending written enquiries by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary. The Company will not normally deal with verbal or anonymous enquiries.

Right to put forward proposals at general meetings

Shareholders can submit a requisition to move a resolution at an annual general meeting pursuant to section 79 of the Companies Act 1981 of Bermuda (the "Act"). The number of Shareholders necessary for a requisition shall be representing not less than one-twentieth of the total voting rights of all Shareholders having at the date of requisition a right to vote at the meeting; or not less than 100 Shareholders holding the Company's Shares.

The written requisition must state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting; be signed by the requisitionist(s) (may consist of one or several documents in like form each signed by one or more requisitionist(s)); be deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in case of any other requisition; and be deposited with a sum reasonably sufficient to meet the Company's expenses in giving notice of the resolution and circulating the statements of the proposed resolution to all Shareholders in accordance with the requirements under the applicable laws and rules.

Right to propose a person for election as a Director

A Shareholder can submit a notice to propose a person (other than a retiring Director) for election as a Director at an annual general meeting pursuant to bye-law 103 of the Bye-Laws. The Shareholder should deposit a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected and the information as required to be disclosed under the relevant rules of the Listing Rules and the Bye-Laws as prevailing from time-to-time at the Company's principal place of business in Hong Kong for the attention of the Company Secretary at least seven days before the date of the annual general meeting.

Right to convene a special general meeting

Shareholders can submit a requisition to convene a special general meeting ("SGM") pursuant to section 74 of the Act. The number of Shareholders necessary for a requisition shall be representing not less than one-tenth of the Company's paid-up capital as at the date of requisition having the right to vote at the general meeting.

The written requisition must state the purpose of the SGM; be signed by the requisitionist(s) (may consist of one or several documents in like form each signed by one or more requisitionists); and be deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary.

If the requisition is in order, the Company Secretary will request the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the request has been verified invalid, the requisitionist(s) will be advised of this outcome and accordingly, a SGM will not be convened as requested.

If within 21 days from the date of the deposit of the proper and orderly requisition which the Board fails to proceed to convene such SGM, the requisitionist(s) may themselves convene a SGM in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitoinsit(s), but any meeting so convened shall not be held after the expiration of three months from the said date.

CONSTITUTIONAL DOCUMENTS

During the financial year, there was no change to the Company's constitutional documents. An up-to-date version of the memorandum of association and the bye-laws of the Company is available on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDRES AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and investment community in a fair and timely basis is essential so as to keep them abreast of Company's business strategy and development. The Company endeavors to maintain an on-going dialogue with Shareholders and, in particular, through annual general meetings and other general meetings. At the general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Environmental, Social and Governance Report

The Group affirms its commitment towards sustainability with the publication of this Environmental, Social and Governance (the "ESG") Report. The Group understands the ESG impacts it created and has aligned its business with sustainable development and environmental conservation as a top priority.

This report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 of the Listing Rules.

This is the first ESG report of the Group which focuses on aspects that have been identified as material to the Group's business and its key stakeholders. However, this report does not cover the relevant information with regards to the business of the Engineering Services Division and the newly acquired Fintech and Auction Divisions. As mentioned in the section headed "Management Discussion and Analysis" in this annual report, the management is now undergoing a critical review of strategic positioning and business operations of the Engineering Services Division which may involve a fundamental changing in operation flows in the future, the Board considers that it is more appropriate to cover this Division from the year of 2017 onwards. For the Fintech and Auction Divisions, the Company intends to cover them in the Group's ESG strategy and report commencing from 1 January 2017. The information stated in this report covers the period from 1 January 2016 to 31 December 2016, which aligns with the financial year as reported in this annual report.

ENVIRONMENTAL PROTECTION

Emissions

The Group supports sustainable development by conducting our businesses in an environmentally responsible manner. We make every effort to minimise the effect of our operations on the environment and educate our staff to work in an eco-friendly way by using materials and products which would be less harmful to our environment, emitting less greenhouse gases ("GHG") and producing less waste during operations. Furthermore, our management concerns the efforts in promoting energy and water saving measures, which we have posted up various reminders in the office.

Use of Resources

The Group has established a culture of energy saving in business operation and begun to imply carbon footprint management strategy to manage the Group's energy consumptions, and has categorised emissions into following 3 scopes:

- Scope 1: Direct emissions from sources that are owned or controlled by the Group
- Scope 2: Indirect emissions from the generation of electricity consumed by the Group
- Scope 3: All other indirect emissions as a consequence of the activities of the Group that occur from sources not owned or controlled by the Group

During the year, the Group's total GHG emissions were 18.5 tons of CO_2e, which consumed electricity (indirect emission) more than 60% of total emissions. Employees' business travel also contributed to over 36% of total emissions. The average GHG emission per employee is 1.2 tons of CO_2e.

Carbon Reduction Measures

The Group carries out various measures to mitigate its carbon emissions, especially on air conditioning system, which is the most energy consuming system in the office. Air conditioners are switched off when rooms are not in use. The filters are also cleaned up regularly to ensure the machines perform efficiently. Besides, we have switched to high efficiency lighting lamps such as T5 and LED lightings to replace traditional lamps, and some office lightings are also switched off during lunch time.

We set most of the office equipment to power saving and/or sleeping mode when it is not in use and chose to purchase equipment with Energy Efficiency Labels upon replacement. It shows the Group has proactively input effort in environmental protection in order to minimise emissions.

Waste Management

The Group encourages employees to minimise waste and recycle as much as possible. Trainings are organised to promote environmental awareness among staff. We have setup recycling bins for staff to separate waste at source. Furthermore, we aim to reduce total paper consumption by using electronic copy instead of hard copy for internal memos. The use of recycled paper and doubled-side printing are encouraged. Overall, environmentally responsible habits and the "use less" concept are continuously promoted to all levels of staff.

In order to ensure the continual awareness of such initiatives and implementation of green best practices in the office to save resources and reduce waste, the Group joined the Green Management Award (Corporate) of Hong Kong Green Awards organised by the Green Council and were awarded with Merit in the 2016 Campaign.

SOCIAL RESPONSIBILITY

Working Condition

The Group establishes a healthy and pleasant workplace for our employees, as having good staff relations and a motivated workplace play a vital role in the Group's operation. Furthermore, the Group aims to establish team of talents and provides a fair workplace for our employees and advocates a working background embracing diverse culture in encouraging employees to maximise their potential and make contribution to the Group.

The Group has complied with the Hong Kong Employment Ordinance and relevant government regulations. The Group does not employ staff who is below 18 years of age. No employee is paid less than the minimum wage specified by the government regulations.

Health and Safety

All staff is well-trained before working in the respective areas. During the year of 2016, the Group has zero working injury cases. We believe that accidents are avoidable by providing more proper safety equipment and education to staff. The Group will continue its efforts to protect employees' health and safety in different aspects.

Development and Training

The Group believes that the quality of employees is the most important factor in sustaining the Group's growth. We commit to allocate resources to develop our staff, including provide trainings to enhance the competency and safety consciousness for the staff. We also sponsor our staff to take trainings provided by professional bodies. In 2016, we organised a Green Office Talk to all staff and attended the Launching Ceremony of Gender Focal Point Network among Listed Companies.

We put a great effort to retain our quality staff by providing competitive remuneration packages, continuous on-job training and development to enhance our staff, as well as encouraging a work-life balance working environment.

The Group strives to maintain good labour management relations by caring about employees' satisfaction, and staff recreational activities are organised regularly to encourage work-life balance and raise team spirit.

Environmental, Social and Governance Report

Community Care

The Group believes that our role and responsibility in the communities could make a difference. We encourage employees to take part in programmes supporting environmental protection and volunteer work. During the year, the Group has made a donation to the Cancer Fund and participated its charity walk, "Stride for a Cure".

Supply Chain Management

Our suppliers fall into several categories, these include suppliers for internal operations such as office supplies, information technology, communications, and utilities, etc. Employees dealing with suppliers and contractors are required to declare any conflict of interest, and communications channels are in place so that any concerns about suspected misconduct, malpractice or impropriety can be raised confidently.

We select products that obtain certified ecological labels such as Energy Star, and are made with recycled and recyclable materials, and use minimal packaging. In operations, the administration department promotes energy-saving, water-saving and carbon emission reduction by using environmentally-friendly products such as T5 and LED lighting system.

Anti-corruption

The Group has implemented anti-corruption measures, we have established prevention system by setting up communication channels for faults and anti-corruption reporting.

Deloitte. 德勤

To the Shareholders of
DTXS Silk Road Investment Holdings Company Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 121, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Control over a significant subsidiary through structured arrangements</td></tr>
<tr><td>We identified the control over a significant subsidiary (namely, Phoenixstar (as defined in Note 1 to the consolidated financial statements)) through structured arrangements as a key audit matter due to its auction business controlled by the Group through contractual agreements rather than direct legal ownership.

The Group exercises control over Phoenixstar and has the power over Phoenixstar, has rights to variable returns from its involvement with Phoenixstar and has the ability to affect those returns through its power over Phoenixstar by execution of the structured contracts (as disclosed in Note 5 to the consolidated financial statements).

Management's disclosures with regard to the judgement are contained in Note 5 to the consolidated financial statements.</td><td>Our procedures in relation to the assessment of control over Phoenixstar included:

• Reviewing contracts in relation to the structured arrangements, and assessing whether the Group has controlling power over Phoenixstar through the structured contracts and whether the Group is exposed, or has rights, to variable returns from its involvement with Phoenixstar;

• Obtaining legal opinion from the Company's legal counsel that (1) the structured contracts as a whole and each are legal, valid and binding on the parties thereon; (2) the Group's entitlements to the economic benefits under the structured contracts are not subject to any legal or regulatory approvals in the People's Republic of China (the "PRC") and are in compliance with the relevant PRC laws and regulations and are legally enforceable; (3) there is no legal impediment to the implementation of the structured contracts; (4) there are no laws and regulations disallowing foreign investors from using any agreements or structured arrangements to gain control of Phoenixstar.

• Checking to documents to support that the Group exercises the control power through appointed directors and senior management to Phoenixstar and made significant decision making activities of Phoenixstar.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
We identified the valuation of goodwill arising from business acquisition in current year as a key audit matter due to subjective valuation parameters used and judgement exercised by the Group for the impairment assessment. The goodwill arising from two acquisitions completed during the year ended 31 December 2016 amounted to HK$194,378,000, as disclosed in Note 19 to the consolidated financial statements. As detailed in Notes 4 and 19 to the consolidated financial statements, the management conducted the impairment assessment of the goodwill based on value in use calculation. The calculation requires the Group to estimate the future cash flows expected to arise from each cash-generating unit (the "CGU") and a suitable discount rate in order to calculate the value in use. The Group determined that there was no impairment loss on goodwill for the year ended 31 December 2016.	Our procedures in relation to assessing the appropriateness of the impairment testing of goodwill included: • Understanding the Group's impairment testing process, including the valuation model adopted, CGUs allocation, assumptions used and the involvement of independent valuer appointed by the Group; • Evaluating the appropriateness of the model used to calculate the recoverable amounts; • Evaluating the reasonableness of the budgeted cash flow forecasts by considering the management's business plan; • Evaluating key assumptions, such as expected cash flow streams, discount rate and growth rate, underlying in the cash flow forecast of each CGU by comparing them to historical results and relevant industry forecasts; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Other Matter

The consolidated financial statements of the Company for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2016.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Cheung Kwong Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2017

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	6	**122,307**	60,197
Other revenue	8	**1,278**	7,408
Changes in inventories		**(38,643)**	(39,320)
Financial trading technologies and related value-added services cost		**(1,071)**	–
Staff costs	9(a)	**(50,242)**	(12,000)
Marine, construction and structural steel engineering costs	9(b)	**(61,474)**	(17,985)
Depreciation and amortisation expense	9(c)	**(14,113)**	(3,456)
Other operating expenses	9(d)	**(28,420)**	(11,294)
Other gains and losses	10	**14,293**	–
Gain (loss) on disposal of subsidiaries	35	**8**	(1,473)
Loss from operations		**(56,077)**	(17,923)
Finance costs	11	**(1,384)**	(1,183)
Share of losses of joint ventures	21	**(16,610)**	(1,563)
Loss before taxation	9	**(74,071)**	(20,669)
Taxation	12	**569**	–
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)	16	**(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	17	**42,700**	46,538
Intangible assets	18	**125,050**	–
Goodwill	19	**186,401**	–
Lease prepayments	20	**318**	412
Interests in joint ventures	21	**26,032**	42,904
Other receivables and loan receivables	23	**–**	1,068
		380,501	90,922
Current Assets			
Inventories	22	**15,086**	5,967
Lease prepayments	20	**67**	72
Trade and other receivables	23	**99,814**	58,766
Amounts due from customers for contract work	24	**9,584**	11,847
Amount due from a joint venture	25(a)	**2,545**	2,275
Tax recoverable		**215**	–
Cash and cash equivalents	26	**271,909**	531,896
		399,220	610,823
Current Liabilities			
Trade and other payables	27	**59,791**	19,067
Amounts due to customers for contract work	24	**–**	1,710
Obligations under finance leases		**67**	70
Borrowings	28	**17,583**	–
Loans from a related party	25(b)	**–**	41,044
Amount due to a joint venture	25(c)	**5,149**	6,656
Amounts due to related parties	25(d)	**–**	5,790
Amounts due to directors of subsidiaries	25(e)	**–**	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

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Non-current Liabilities			
Deferred tax liabilities	*29*	**30,263**	–
Contingent consideration	*36*	**10,821**	–
Obligations under finance leases		**–**	67
		41,084	67
Net Assets		**655,804**	625,549
Capital and Reserves			
Share capital	*30*	**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

The consolidated financial statements on pages 40 to 121 were approved and authorised for issue by the board of Directors on 30 March 2017 and were signed on its behalf by:

Lu Jianzhong
Director

Wong Kwok Tung Gordon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 *(note a)*	Share option reserve HK$'000 *(note b)*	Capital redemption reserve HK$'000 *(note a)*	Exchange fluctuation reserve HK$'000 *(note c)*	Scheme reserve HK$'000 *(note d)*	Revaluation reserve HK$'000 *(note e)*	Capital reserve HK$'000 *(note f)*	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2015	142,001	332,726	–	1,264	6,933	1,054,095	5,574	5,223	(1,456,302)	91,514	–	91,514
Loss for the period	–	–	–	–	–	–	–	–	(20,669)	(20,669)	–	(20,669)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(590)	–	–	–	–	(590)	–	(590)
Reclassification of exchange reserve upon disposal of subsidiaries	–	–	–	–	(2,656)	–	–	–	–	(2,656)	–	(2,656)
Total comprehensive expense for the period	–	–	–	–	(3,246)	–	–	–	(20,669)	(23,915)	–	(23,915)
Share issued by placing of share	27,512	110,046	–	–	–	–	–	–	–	137,558	–	137,558
Share issued on open offer	67,805	352,587	–	–	–	–	–	–	–	420,392	–	420,392
At 31 December 2015 and 1 January 2016	237,318	795,359	–	1,264	3,687	1,054,095	5,574	5,223	(1,476,971)	625,549	–	625,549
Loss for the year	–	–	–	–	–	–	–	–	(73,497)	(73,497)	(5)	(73,502)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(13,453)	–	–	–	–	(13,453)	(13)	(13,466)
Total comprehensive expense for the year	–	–	–	–	(13,453)	–	–	–	(73,497)	(86,950)	(18)	(86,968)
Additional non-controlling interests arising on the acquisition of subsidiary (Note 34)	–	–	–	–	–	–	–	–	–	–	2,931	2,931
Share issued for acquisition of subsidiary (Note 34)	14,741	85,791	–	–	–	–	–	–	–	100,532	–	100,532
Share options granted (Note 31)	–	–	13,760	–	–	–	–	–	–	13,760	–	13,760
At 31 December 2016	**252,059**	**881,150**	**13,760**	**1,264**	**(9,766)**	**1,054,095**	**5,574**	**5,223**	**(1,550,468)**	**652,891**	**2,913**	**655,804**

notes:

(a) The application of share premium account and the capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda.

(b) The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments.

(c) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy.

(d) The scheme reserve represents the net liabilities of the Scheme Participating Companies and the Company as at 28 April 2000, which were discharged pursuant to the scheme of arrangement as detailed below, less the promissory notes of HK$30,000,000 issued to the scheme administrator as consideration to release the Company's Shortfall Undertaking pursuant to the settlement structure agreement dated 1 September 2006 and the related scheme expenses incurred for the recovery of the Scheme Assets.

Scheme of arrangement

The Company and 24 of its subsidiaries (the "Scheme Participating Companies") entered into a restructuring scheme of arrangement with its creditors (the "Scheme"). The Scheme was duly approved by the Scheme creditors and sanctioned by the court on 18 April 2000 and became effective on 28 April 2000. The Scheme Participating Companies transferred the unencumbered assets and the net proceeds from the recovery of their accounts receivable (collectively the "Scheme Assets") for no consideration to the scheme company, the shares of which are held by the scheme administrator in trust for the Scheme creditors. The Company had undertaken to the scheme administrator that the aggregate disposal proceeds of the Scheme Assets shall not be less than HK$176 million ("Scheme Undertaking"). In the event of a shortfall, the Company was required to make up the shortfall.

The modification of the Scheme was sanctioned by the High Court of Hong Kong on 7 June 2006 and 21 July 2006, under which, the scheme administrator was recognized to enter into a settlement of the shortfall of Scheme Undertaking with the Company. On 1 September 2006, the Company entered into a settlement structure agreement with the scheme administrator and trustee under the Scheme, in consideration of the issue of HK$30,000,000 of promissory notes to the scheme administrator, the Company was fully released and discharged from each and every obligation and liability of the Company, including the obligations in the Scheme Undertaking. The promissory notes were fully settled in May 2007.

(e) The revaluation reserve has been set up and is dealt with in accordance with accounting policy adopted for property, plant and equipment.

(f) The capital reserve arose from the disposal of certain subsidiaries of the Group to the joint venture jointly and equally owned by the Group and the ultimate holding company in prior years.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Operating activities		
Loss before taxation	**(74,071)**	(20,669)
Adjustment for:		
Depreciation and amortisation expense	**14,113**	3,483
Impairment loss on other receivables	**47**	–
(Gain) loss on disposal of subsidiaries	**(8)**	1,473
Loss on disposal of property, plant and equipment	**1,263**	–
Interest expenses	**1,384**	1,183
Interest income	**(558)**	(117)
Share of losses of a joint venture	**16,610**	1,563
Share-based payment expense	**13,760**	–
Reversal of bad debt provision	**(11,800)**	–
Operating cash flows before movements in working capital	**(39,260)**	(13,084)
Changes in working capital:		
Decrease in inventories	**3,207**	–
Increase in trade and other receivables	**(11,009)**	(40,190)
Decrease (increase) in amounts due from customers for contract work	**553**	(2,911)
Decrease in amounts due from related parties	**–**	11,269
Decrease in balances with associates	**–**	1,893
Changes in balances with joint ventures	**(1,777)**	107
Increase in trade and other payables	**16,347**	1,730
Increase in amounts due to related parties	**–**	1,134
Decrease in amounts due to customers for contract work	**–**	(793)
Decrease in amounts due to Directors	**–**	(1,612)
Increase in amounts due to directors of subsidiaries	**–**	1,792
Cash used in operations	**(31,939)**	(40,665)
Interest received	**558**	117
Income tax refunded	**182**	–
Net cash used in operating activities	**(31,199)**	(40,548)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Investing activities		
Payment for purchase of property, plant and equipment	**(4,695)**	(3,002)
Payment for purchase of intangible assets	**(2,003)**	–
Net cash outflow on disposal of subsidiary (Note 35)	**(8)**	–
Net payment for acquisition of subsidiaries (Note 34)	**(197,784)**	–
Repayment of loan receivables	**948**	–
Net cash used in investing activities	**(203,542)**	(3,002)
Financing activities		
Proceeds from shares issued on open offer	**–**	420,392
Proceeds from shares issued by placing shares	**–**	137,558
Loan advance from Harbour Front Assets Investments Limited	**17,533**	–
Repayment of loan from Harbour Front Assets Investments Limited	**(40,994)**	(63,441)
Receipt of other loan	**–**	200
Interest paid	**(1,382)**	(1,183)
Payment for capital element of finance lease obligations	**(72)**	(28)
Net cash (used in) from financing activities	**(24,915)**	493,498
Net (decrease) increase in cash and cash equivalents	**(259,656)**	449,948
Cash and cash equivalents at the beginning of the year/period	**531,896**	81,956
Effect of foreign exchange rate changes	**(331)**	(8)
Cash and cash equivalents at the end of the year/period	**271,909**	531,896

1. GENERAL

DTXS Silk Road Investment Holdings Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability on 31 May 1991 under the Companies Act 1981 of Bermuda and its registered office locates at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and principal place of business locates at Unit 2602, 26/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are disclosed in Note 39 and the Company and its subsidiaries including those under Structured Arrangements (as defined below) are collectively referred to as the "Group".

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*), 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 are set out in Note 34.

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) 股東表決權委託協議 (The Voting Rights Proxy Agreement*); and
(iv) 股權質押協議 (Equity Pledge Agreement*).

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.

* *For identification purpose only*

1. GENERAL *(Continued)*

Structured arrangements *(Continued)*

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 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. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 Hong Kong Accounting Standards ("HKASs") 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(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 performance and position 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.

Specifically, pursuant to HKFRS 9;

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 investments 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(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 33. 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.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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.

4. SIGNIFICANT ACCOUNTING POLICIES

Change of financial year end date

Pursuant to a resolution passed by the board of Company (the "Board") on 8 December 2015, the Company's financial year end date has been changed from 31 July to 31 December in order to align with the financial year end date of its subsidiaries and its controlling shareholder incorporated in the PRC. Accordingly, the consolidated statement of profit of loss and other comprehensive income for current financial period covers a twelve-month period from 1 January 2016 to 31 December 2016. The comparative figures of the consolidated statement of profit of loss and other comprehensive income cover a five-month period from 1 August 2015 to 31 December 2015, which may not be comparable with amounts shown for the current period.

Basis of preparation

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.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other Structured Arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between of the Group are eliminated in full on consolidation.

Change in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interest and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measure either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parities that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes an a joint venture.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from art and antique auction services and fintech services

Revenue from provision of auction services and fintech services are generally recognised when related services are provided. Art and antique auction services revenue includes buyer's and seller's commission, which are based on a percentage of hammer price of the auction sales or at a rate that agreed with buyer and seller. Fintech service revenue includes financial e-commerce business and provision of financial trading platform and solutions.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are recognised as expenses in the periods in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "exchange fluctuation reserve".

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes are recognised as an expense in profit or loss as and when incurred.

Annual contributions to pension schemes operated by the government in the PRC are recognised as an expense in profit or loss as and when incurred.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior periods is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve).

The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The following items of property, plant and equipment held for own use are stated at their revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation:

Floating craft and vessels

Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of the reporting period.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Changes arising on the revaluation of floating craft and vessels are generally dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes are carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease prepayment

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (if any) on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Amortisation for intangible assets is recognised on a straight-line basis over their expected useful lives. The expected useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out, weighted average or specific identification methods. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities of fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and amounts due from a joint venture) are measured at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss included in the "other gains and losses" line item.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the Structured Arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of their liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities (including amount due to a joint venture, trade and other payables and borrowings) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Structured Arrangements

The Group conducts a substantial portion of the business through the Phoenixstar in the PRC due to regulatory restrictions on auction business in the PRC. The Group does not have any equity interest in the Phoenixstar. The Directors assessed whether or not the Group has control over Phoenixstar based on whether the Group has the power over Phoenixstar, has rights to variable returns from its involvement with Phoenixstar and has the ability to affect those returns through its power over Phoenixstar. After assessment, the Directors concluded that the Group has control over Phoenixstar as a result of the Structured Arrangements and other measures and accordingly, the Group has consolidated the financial information of Phoenixstar during the year ended 31 December 2016.

Nevertheless, the Structured Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over Phoenixstar and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Phoenixstar. The Directors, based on the advice of its legal counsel, consider that the Structured Arrangements among the Company, Phoenixstar and its respective legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable. Change in market condition or interpretation of PRC laws and regulations in future may have a material impact on the assessment of control over Phoenixstar.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

(a) Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The Group determines the recoverable amount by reference to the value in use calculation which requires the Group to estimate the future cash flows expected to arise from respective cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, further impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill was HK$186,401,000 and no impairment loss was recognised for the year ended 31 December 2016. Details of the impairment testing on goodwill are disclosed in Note 19.

(b) Estimates of fair value of floating craft and vessels

The best estimate of fair value is the current price in an active market for similar assets and other contracts. In the absence of such information, the Group determines the amount with a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- current prices in an active market for vessels of different nature, condition or location, adjusted to reflect those differences; and

- recent prices of similar vessels in less active markets, with adjustments to reflect any changes in economic conditions that occurred since the date of the transactions.

The carrying amount of floating craft and vessels and information about the valuation techniques and inputs used in determining the fair value of floating craft and vessels are disclosed in Note 17.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group. Details of the movement of property, plant and equipment and the estimated useful lives are set out in Note 17.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade and other receivables is set out in Note 23. Details of additional or reversal of impairment on trade debts or other debts are set out in Notes 10.

(e) Estimated impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales.

Operational procedures have been in place to monitor this risk, including regular review by the management of the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made for any obsolete and slow-moving items. If the selling price is lower than expected, additional allowance would be recognised. No impairment is recognised during the year ended 31 December 2016. The carrying amount of inventories is set out in Note 22.

(f) Estimated impairment of property, plant and equipment and lease prepayments

The Group assesses annually whether property, plant and equipment and lease prepayments have any indications of impairment in accordance with the relevant accounting policies. If such indication exists, the recoverable amounts of the assets would be determined by reference to value in use and fair value less cost of disposal. Value in use is determined using the discounted cash flow method. Owing to inherent risks associated with estimations in the timing and magnitude of the future cash flows and fair value less cost of disposal, the estimated recoverable amount of the assets may be different from its actual recoverable amount and profit or loss could be affected by the accuracy of the estimations. Details of the carrying amounts of property, plant and equipment and lease prepayments are set out in Notes 17 and 20.

(g) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in which such determination is made. Details of the carrying amounts of taxation are set out in Notes 12 and 29.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(h) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in Note 4, the Group uses the percentage of completion method to determine the appropriate revenue to be recognised in a given period.

Upon applying the percentage of completion method, the Group needs to estimate the gross profit margin of each construction contract, which was determined based on the estimated total contract costs and total contract sum, including variation orders and claims. If the actual gross profit margin of the contract differs from the management's estimates due to variance between the total budget contract costs and actual contract costs, the contract revenue to be recognised within the next accounting period will be adjusted accordingly. As at 31 December 2016, the carrying amounts due from (to) the customers for contract work are set out in Note 24.

6. REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries (details set out in Note 39) which materially affected the results or assets of the Group during the year/period include sales of jewellery, sales of antique, sales of vessels, provision of marine engineering services, provision of construction and structural steel engineering work, provision of auction services and provision of fintech services.

An analysis of the amounts of each significant category of revenue from principal activities during the year/period is as follows:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Revenue from:		
Sales of jewellery	**10,500**	38,534
Sales of antique	**12,677**	–
Sales of vessels	**36,520**	–
Provision of marine engineering services	**39,965**	17,369
Provision of construction and structural steel engineering work	**7,965**	4,294
Provision of auction services	**5,869**	–
Provision of fintech services	**8,811**	–
	122,307	60,197

7. 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 (the "Executive Directors"), for the purposes of performance assessment and resources allocation.

Upon completion of the acquisition of two businesses (Note 34), 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.

7. SEGMENT INFORMATION *(Continued)*

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

	Jewellery Division		Auction Division		Fintech Division		Engineering Services Division		Consolidated	
	31 December 2016 HK$'000	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'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 HK$'000	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'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

7. 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**	–

8. OTHER REVENUE

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Total interest income on financial assets not at fair value through profit or loss	**558**	117
Others		
– Sundry income	**720**	2
– Handling charges	**–**	1,180
– Contract management fee income	**–**	6,109
	1,278	7,408

9. 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

10. OTHER GAINS AND LOSSES

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Impairment loss on receivables	47	–
Reversal of impairment loss on receivables *(note)*	(17,253)	–
Loss on disposal of property, plant and equipment	1,263	–
Net foreign exchange loss	1,650	–
	(14,293)	–

note: During the year ended 31 December 2016, the reversal of impairment loss is recognised upon settlement of other debts which were fully impaired in prior years. Further details are set out in Note 23(b).

11. 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 (disclosed in Notes 25(b) and 28)	1,382	1,182
Finance charges on obligations under finance leases	2	1
	1,384	1,183

12. 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.

12. TAXATION *(Continued)*

(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)**	–

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the Directors and chief executive of the Company during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December 2016					
	Fees HK$'000	Salaries HK$'000	Discretionary Bonuses HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors						
Lu Jianzhong *(Chairman)*	–	360	–	3,152	13	3,525
Wong Kwok Tung Gordon	–	315	–	2,252	16	2,583
Yang Xingwen	–	360	–	2,252	–	2,612
Non-executive Directors						
Wang Shi	360	–	–	225	–	585
Jean-Guy Carrier	360	–	–	225	–	585
Tse Yung Hoi	360	–	–	225	–	585
Independent Non-executive Directors						
Cheng Yuk Wo	360	–	–	225	–	585
Fan Chiu Fun, Fanny	360	–	–	225	–	585
Tsui Yiu Wa, Alec	360	–	–	225	–	585
	2,160	1,035	–	9,006	29	12,230

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	Five months ended 31 December 2015					
	Fees HK$'000	Salaries HK$'000	Discretionary Bonuses HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors						
Lu Jianzhong *(Chairman)*	–	23	–	–	–	23
Wong Kwok Tung Gordon	–	77	–	–	4	81
Yang Xingwen	–	23	–	–	–	23
Leung Yat Tung*	–	1,990	–	–	8	1,998
Leung Yu Oi Ling, Irene*	–	348	–	–	5	353
Leung Chi Yin, Gillian*	–	490	–	–	8	498
Leung Chi Hong, Jerry*	–	15	–	–	1	16
Non-executive Directors						
Wang Shi	23	–	–	–	–	23
Jean-Guy Carrier	23	–	–	–	–	23
Tse Yung Hoi	23	–	–	–	–	23
Dr. Lam Lee G.**	101	–	–	–	–	101
Independent Non-executive Directors						
Cheng Yuk Wo	59	–	–	–	–	59
Fan Chiu Fun, Fanny	23	–	–	–	–	23
Tsui Yiu Wa, Alec	23	–	–	–	–	23
Pao Ping Wing*	31	–	–	–	–	31
Yuen Ming Fai, Matthew*	31	–	–	–	–	31
Tse Mei Ha*	31	–	–	–	–	31
Choi, Victor Wang Tao**	37	–	–	–	–	37
Mak Ming Chuen**	37	–	–	–	–	37
	442	2,966	–	–	26	3,434

* Resigned on 2 November 2015
** Resigned on 8 December 2015

Mr. Wong Kwok Tung Gordon is the chief executive officer of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive officer.

The emoluments of Executive Directors, non-executive Directors shown above were paid for their services in connection with the management of the affairs of the Company and the Group, for serving as Directors or its subsidiaries and those to independent non-executive Directors are for serving as Directors.

There was no arrangement under which a Director or the chief executive waived or agreed to waive any remuneration during the year.

During the year ended 31 December 2016 and five months ended 31 December 2015, no amount was paid or payable by the Group to any Director and the highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

During the year ended 31 December 2016, certain Directors were granted share options for their services to the Group under the share option scheme of the Company. Details of which are set out in Note 31.

The discretionary bonus is determined by reference to the individual performance of the Directors and approved by the Board annually.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three individuals (five months ended 31 December 2015: three) were Directors and their emoluments are disclosed in Note 13. The emoluments in respect of the remaining two (five months ended 31 December 2015: two) individuals are as follows:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Salaries and other emoluments	**4,869**	1,375
Retirement scheme contributions	**33**	15
Share-based payment	**2,190**	–
	7,092	1,390

The emoluments of the top five highest paid individuals, including three Directors were within the following bands:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Nil – HK$1,000,000	**–**	4
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**2**	–
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	–
	5	5

15. DIVIDENDS

No dividend was paid, declared or proposed for the year and prior period, or up to the date of these financial statements.

16. 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 30(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.

17. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying amount

	Leasehold improvements HK$'000	Floating craft and vessels* HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and workshop equipment HK$'000	Motor vehicles# HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation							
At 1 August 2015	559	46,945	1,243	5,647	1,777	–	56,171
Additions	24	–	2,291	–	687	–	3,002
Elimination of depreciation	–	(3,262)	–	–	–	–	(3,262)
Disposal of subsidiaries	–	–	–	(609)	(1,434)	–	(2,043)
Exchange realignments	–	–	–	(168)	–	–	(168)
At 31 December 2015	583	43,683	3,534	4,870	1,030	–	53,700
Representing:							
Cost	583	–	3,534	4,870	1,030	–	10,017
Valuation – At 31 December 2015	–	43,683	–	–	–	–	43,683
	583	43,683	3,534	4,870	1,030	–	53,700
At 1 January 2016	**583**	**43,683**	**3,534**	**4,870**	**1,030**	**–**	**53,700**
Additions	**1,473**	**–**	**541**	**–**	**–**	**2,681**	**4,695**
Elimination of depreciation	**–**	**(6,568)**	**–**	**–**	**–**	**–**	**(6,568)**
Acquisition of subsidiaries (Note 34)	**85**	**–**	**351**	**–**	**–**	**–**	**436**
Disposal	**–**	**–**	**(1,749)**	**–**	**–**	**–**	**(1,749)**
Exchange realignments	**–**	**–**	**–**	**(245)**	**–**	**–**	**(245)**
At 31 December 2016	**2,141**	**37,115**	**2,677**	**4,625**	**1,030**	**2,681**	**50,269**
Representing:							
Cost	**2,141**	**–**	**2,677**	**4,625**	**1,030**	**2,681**	**13,154**
Valuation – At 31 December 2016	**–**	**37,115**	**–**	**–**	**–**	**–**	**37,115**
	2,141	**37,115**	**2,677**	**4,625**	**1,030**	**2,681**	**50,269**

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Carrying amount *(Continued)*

	Leasehold improvements HK$'000	Floating craft and vessels* HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and workshop equipment HK$'000	Motor vehicles# HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment							
At 1 August 2015	286	–	1,155	5,492	1,328	–	8,261
Charge for the period	24	3,262	75	16	48	–	3,425
Transferred to direct costs	–	–	–	–	27	–	27
Written back on disposal of subsidiaries	–	–	–	(609)	(520)	–	(1,129)
Elimination on revaluation	–	(3,262)	–	–	–	–	(3,262)
Exchange realignments	–	–	–	(160)	–	–	(160)
At 31 December 2015	310	–	1,230	4,739	883	–	7,162
At 1 January 2016	**310**	**–**	**1,230**	**4,739**	**883**	**–**	**7,162**
Charge for the year	**561**	**6,568**	**432**	**74**	**65**	**–**	**7,700**
Elimination on revaluation	**–**	**(6,568)**	**–**	**–**	**–**	**–**	**(6,568)**
Elimination on disposal	**–**	**–**	**(486)**	**–**	**–**	**–**	**(486)**
Exchange realignments	**–**	**–**	**–**	**(239)**	**–**	**–**	**(239)**
At 31 December 2016	**871**	**–**	**1,176**	**4,574**	**948**	**–**	**7,569**
Carrying amount							
At 31 December 2016	**1,270**	**37,115**	**1,501**	**51**	**82**	**2,681**	**42,700**
At 31 December 2015	273	43,683	2,304	131	147	–	46,538

* The floating craft and vessels are depreciated over remaining useful lives of 1-9 years, had the floating craft and vessels been carried at cost less accumulated depreciation, carrying amount would have been HK$35,314,000 (2015: HK$41,882,000).

\# The carrying amount of the motor vehicles are held under a finance lease.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Carrying amount *(Continued)*

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following useful lives after taking into account the residual values:

Leasehold improvements	the shorter of 33.3% or over the remaining term of the lease
Furniture, fixtures and office equipment	10-33.3%
Plant, machinery and workshop equipment	10-25%
Motor vehicles	10-33.3%

(b) Fair value measurement of vessels

Fair value hierarchy

The following table presents the fair value of the Group's floating craft and vessels 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. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2016	**Fair value measurements as at 31 December 2016 can be categorised at**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement Floating craft and vessels held for own use – Hong Kong	**37,115**	**–**	**–**	**37,115**

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 can be categorised at		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement Floating craft and vessels held for own use – Hong Kong	43,683	–	–	43,683

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Fair value measurement of vessels *(Continued)*

Fair value hierarchy (Continued)

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (five months ended 31 December 2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's floating craft and vessels held for own use were revalued as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, Win Well Engineering & Surveyors Limited, a firm of independent qualified professional valuers in Hong Kong and is a member of the Hong Kong Institute of Surveyors, with recent experiences in the location and category of assets being valued. The Group's fleet manager has discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

Information about Level 3 fair value measurements:

Assets	Valuation technique	Unobservable inputs	Range
Floating craft and vessels	Market comparison approach	Premium (discount) on quality of the vessels	10% to 40% (2015:10% to 40%)

The fair value of floating craft and vessels located in Hong Kong is determined using market comparison approach by reference to recent sale prices of comparable vessels on a price per tonnage, adjusted for a premium or discount specific to the quality of the Group's vessels compared to the recent sales.

The movements during the year/period in the balance of these Level 3 fair value measurements are as follows:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Floating craft and vessels held for own use – Hong Kong		
At 1 January/August	**43,683**	46,945
Depreciation charge for the year/period	**(6,568)**	(3,262)
At 31 December	**37,115**	43,683

18. INTANGIBLE ASSETS

	License	Brands	Customer relationship	Developed technology	Capitalised development costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2016 and 31 December 2015	–	–	–	–	–	–
Acquisitions through acquisition of subsidiaries (Note 34)	**474**	**103,215**	**13,729**	**16,520**	**–**	**133,938**
Additions	**–**	**–**	**–**	**–**	**2,003**	**2,003**
Exchange realignments	**(20)**	**(4,053)**	**(580)**	**–**	**–**	**(4,653)**
At 31 December 2016	**454**	**99,162**	**13,149**	**16,520**	**2,003**	**131,288**
Amortisation and Impairment						
At 1 January 2016 and 31 December 2015	–	–	–	–	–	–
Charge for the year	**233**	**2,662**	**1,351**	**1,377**	**721**	**6,344**
Exchange realignments	**(6)**	**(64)**	**(36)**	**–**	**–**	**(106)**
At 31 December 2016	**227**	**2,598**	**1,315**	**1,377**	**721**	**6,238**
Carrying values						
At 31 December 2016	**227**	**96,564**	**11,834**	**15,143**	**1,282**	**125,050**
At 31 December 2015	–	–	–	–	–	–

Capitalised development costs are costs incurred internally relating to software/apps development for providing financial e-commerce services.

The above items of intangible assets are depreciated on a straight-line basis at the following useful lives:

License	1 year
Brands	10-20 years
Customer relationship	5 years
Developed technology	5 years
Capitalised development costs	3 years

19. GOODWILL

	CGU 1 HK$'000	CGU 2 HK$'000	Total HK$'000
Cost			
At 1 January 2016	–	–	–
Arising on acquisition of subsidiaries (Note 34)	**171,363**	**23,015**	**194,378**
Exchange realignments	**(7,977)**	**–**	**(7,977)**
At 31 December 2016	**163,386**	**23,015**	**186,401**
Impairment			
At 1 January 2016 and 31 December 2016	–	–	–
Carrying Values			
At 31 December 2016	**163,386**	**23,015**	**186,401**
At 31 December 2015	–	–	–

For the purposes of impairment testing, goodwill has been allocated to two cash generating units ("CGUs") which are engaged in auction business ("CGU 1") and financial e-commerce business ("CGU 2"), respectively.

During the year ended 31 December 2016, the management determines that there is no impairment of the CGUs containing goodwill.

The recoverable amounts of the CGUs 1 and 2 have been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. The cash flows attributable to CGU 1 and 2 beyond the 5-year period are both extrapolated using a steady 3% growth rate. The growth rate is based on the relevant industry long-term growth rates in the jurisdiction the CGUs operate. The discount rates applied are 23.24% and 23.33%, respectively, for CGU 1 and 2.

Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on each CGU's past performance and management's expectations for the market development.

20. LEASE PREPAYMENTS

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Leasehold land in the PRC		
Medium-term lease	**385**	484
Analysed for reporting purposes as:		
Current portion	**67**	72
Non-current portion	**318**	412
	385	484

The movements in lease prepayments during the year/period are:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
At beginning of the year/period	**484**	537
Amortisation	**(69)**	(31)
Exchange realignment	**(30)**	(22)
At end of the year/period	**385**	484

Lease prepayments represent payments for land use rights located in the PRC with various expiry dates through to 2022 and the balances are released to profit or loss over the lease terms.

21. INTERESTS IN JOINT VENTURES

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Unlisted shares, at cost	**64,687**	64,687
Share of results and other comprehensive income	**(38,655)**	(21,783)
	26,032	42,904

Details of the joint venture as at 31 December 2016, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of company	Place of incorporation and business	Proportion of voting power held by the Company 2016 %	2015 %	Principal activities
Universal Harbour Investment Limited ("UHI")*	Hong Kong	**50**	50	Investment holding
Lead Ocean Assets Management Limited ("Lead Ocean")	British Virgin Islands	**50**	50	Investment holding
Argos Engineering (International) Company Limited ("Argos")	Hong Kong	**50**	50	Investment holding
Cochrane Enterprises Limited	Hong Kong	**50**	50	Investment holding
東莞振華建造工程有限公司 Dongguan Zhenghua Construction Engineering Limited Company**	PRC	**50**	50	Property holding
東莞興華造船有限公司 Dongguan Xinghua Marine Construction Limited Company**	PRC	**50**	50	Property holding

* Directly held by the Group, the remaining companies listed above are wholly-owned subsidiaries of UHI.

** *For identification purpose only*

Under the joint venture agreements, all operating and financial decisions of UHI have to be jointly approved by the Group and the joint venture partner.

21. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised consolidated financial information of UHI and its subsidiaries ("UHI Group"), adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, is disclosed below:

	2016 HK$'000	2015 HK$'000
Current assets	**18,531**	19,632
Non-current assets	**51,255**	85,049
Current liabilities	**(17,721)**	(18,873)
Equity	**52,065**	85,808
Included in the above assets and liabilities:		
Cash and cash equivalents	**574**	329
Reconciled to the Group's interest:		
Net assets of UHI Group	**52,065**	85,808
Proportion of the Group's ownership interest in UHI Group	**50%**	50%
Carrying amount of the Group's interest in UHI Group	**26,032**	42,904
Revenue	**4,671**	8,647
Loss from operations and total comprehensive loss	**(33,220)**	(3,099)
Included in the above loss:		
Depreciation and amortisation expense	**(5,544)**	(3,456)
Impairment on non-current assets	**(24,400)**	–
Interest income	**4**	117
Reconciled to the Group's interest:		
Loss from operations	**(33,220)**	(3,099)
Proportion of the Group's ownership interest in UHI Group	**50%**	50%
Group's share of losses of UHI Group	**(16,610)**	(1,563)

22. INVENTORIES

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Vessels held for sale	**5,800**	5,800
Raw materials	**1,942**	167
Goods for sell	**7,344**	–
	15,086	5,967

23. 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)
	–	(1,068)
	99,814	58,766

23. 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 HK$'000	At 31 December 2015 HK$'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.

23. 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 HK$'000	At 31 December 2015 HK$'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

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 except for the balance due from sales of vessels amounting to HK$27,520,000 which is fully collected subsequent to the year end. 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.

23. 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 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 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 prior years, were recovered during the year ended 31 December 2016. Amounted of 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 were 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.

24. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**56,896**	206,909
Less: Progress billings	**(47,312)**	(196,772)
	9,584	10,137
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**9,584**	11,847
Amounts due to customers for contract work	**–**	(1,710)
	9,584	10,137

The revenue generated from provision of contract work are those from provision of construction and structural steel engineering work and marine engineering services as disclosed in Note 6.

25. AMOUNTS DUE FROM (TO) RELATED PARTIES

(a) Amount due from a joint venture

	At 31 December 2016		At 31 December 2015	
	Maximum amounts HK$'000	Balance HK$'000	Maxmium amounts HK$'000	Balance HK$'000
UHI	**2,545**	**2,545**	2,275	2,275

Amount due from a joint venture are non-trade related, unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE FROM (TO) RELATED PARTIES *(Continued)*

(b) Loans from a related party

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Harbour Front Assets Investments Limited*	–	41,044

On 29 December 2014, a wholly-owned subsidiary of the Company, UDL Ship Management Limited and Harbour Front Assets Investments Limited entered into a loan agreement. The loan is unsecured, bearing interest at 5% per annum and with an original repayment term due on 28 December 2015.

* Harbour Front Assets Investments Limited is controlled by a company ultimately controlled by the directors of subsidiaries of the Company. Following the resignation of the directors, the outstanding balances due to the Company of HK$41,044,000 were reclassified and included in borrowings (Note 28).

(c) Amount due to a joint venture

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
UHI Group	5,149	6,656

Amount due to a joint venture are non-trade related, unsecured, interest-free and without a fixed term.

(d) Amounts due to related parties

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Harbour Front Assets Investments Limited*	–	1,599
Harbour Front Limited*	–	326
Loyal Fit Investment Limited*	–	50
HF Marine Assets (Singapore) Pte. Ltd.*	–	381
UDL Engineering Pte. Ltd.*	–	9
HF Marine Assets (Hong Kong) Limited*	–	2,313
Chui Hing Construction Company Limited*	–	17
Gitanes Engineering Company Limited*	–	1,095
	–	5,790

* All the companies are controlled by a company ultimately controlled by the directors of subsidiaries of the Company. Following the resignation of these directors, the amounts were classified and included in trade and other payables (Note 27).

25. AMOUNTS DUE FROM (TO) RELATED PARTIES *(Continued)*

(d) Amounts due to related parties *(Continued)*

Amounts due to the above related parties are non-trade related, unsecured, interest free and without a fixed term.

(e) Amounts due to directors of subsidiaries

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Leung Yat Tung	–	114
Leung Yu Oi Ling, Irene	–	401
Leung Chi Yin, Gillian	–	188
Leung Chi Hong, Jerry	–	1,089
	–	1,792

Amounts due to directors of subsidiaries are non-trade related, interest-free, unsecured and without a fixed term. Following the resignation of these directors, the amounts were classified and included in trade and other payables (Note 27).

26. CASH AND CASH EQUIVALENTS

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Cash at bank and in hand, representing as cash and cash equivalents in the consolidated statement of cash flows	**271,909**	531,896

Bank balances carry interest at market rates ranging from of 0.01% to 0.35% (2015: 0.01%) per annum. The fixed deposits carry interest rate of 1.4% per annum.

27. 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

28. BORROWINGS

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Other loans:		
Secured *(note a)*	**2,237**	–
Unsecured	**15,346**	–
	17,583	–
Fixed rate *(note b)*	**1,929**	–
Variable rate *(note b)*	**15,654**	–
	17,583	–

The carrying amounts of loans that contain a repayment on demand clause (shown under current liabilities) but repayable:

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Within one year *(note c)*	**17,583**	–

notes:

(a) The loan was secured by a pledge over vessels held by the Group with carrying amount of HK$817,000 as at 31 December 2016.

(b) As at 31 December 2016, HK$1,929,000 loans are fixed at 6% per annum, the remaining loans carrying variable rate loans at lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited.

(c) The amounts due are based on scheduled repayment dates set out in the loan agreements.

29. DEFERRED TAX LIABILITIES (ASSETS)

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Deferred tax assets	–	–
Deferred tax liabilities	30,263	–
	30,263	–

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current year and prior period:

	Accelerated depreciation allowance HK$'000	Revaluation of floating craft and vessels HK$'000	Fair value adjustment upon acquisition of subsidiaries HK$'000	Tax losses HK$'000	Total HK$'000
At 1 August 2015	5,485	679	–	(6,164)	–
(Credited) charged to profit or losses	557	–	–	(557)	–
At 31 December 2015 and 1 January 2016	6,042	679	–	(6,721)	–
Arising from acquisition	1,630	–	29,678	(476)	30,832
(Credited) charged to profit or losses	–	–	(1,045)	476	(569)
At 31 December 2016	7,672	679	28,633	(6,721)	30,263

At 31 December 2016, no deferred tax asset has been recognised in respect of tax losses of HK$219,004,000 (31 December 2015: HK$218,628,000) due to the unpredictability of future profit streams against which these tax losses can be utilised in the foreseeable future. The tax losses may be carried forward indefinitely.

30. SHARE CAPITAL

(a) Authorised and Issued share capital

	At 31 December 2016 Number of ordinary shares '000	At 31 December 2016 HK$'000	At 31 December 2015 Number of ordinary shares '000	At 31 December 2015 HK$'000
Authorised:				
Ordinary shares of HK$0.5 each *(note i)*	**5,000,000**	**2,500,000**	480,000	240,000
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 34, 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.

(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.

30. SHARE CAPITAL *(Continued)*

(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.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme was approved and adopted by the shareholders of the Company pursuant to an ordinary resolution passed on 6 December 2012 (the "2012 Scheme"). The 2012 Scheme was set up for the primary purpose to provide rewards or incentives to eligible participants for their contribution to the development of the Group, and will expire on 5 December 2022.

Pursuant to the 2012 Scheme, the Board may grant options to the eligible participants to subscribe the Company's shares for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall be not less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The maximum number of shares of the Company in respect of which options may be granted under the 2012 Scheme is 27,229,248 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2012 Scheme.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Scheme was 21,500,000 (2015: nil), representing 4.26% of the shares of the Company in issue. The total number of shares in respect of which options may be granted under the 2012 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Directors may, at their absolute discretion, impose any such minimum period at the time of grant of an option.

On 28 January 2016 and 21 December 2016, 15,500,000 and 6,000,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. 40% of these share options under the 2012 Scheme vests on the first anniversary of the grant date and each of the remaining 30% of these share options vests on the second and third anniversary of the grant date respectively. The fair value of the exercise price are HK$3.00 and HK$3.71 per share, respectively, which are the closing price of the ordinary shares of the Company on the corresponding grant dates.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The following table sets out the movement of the share options granted under the 2012 Scheme for the year ended 31 December 2016:

			Number of Shares subject to share options					
Eligible persons	Date of grant	Exercise Price HK$	Outstanding at 1 January 2016	Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2016
Mr. Lu Jianzhong	28 January 2016	3.00	–	3,500,000	–	–	–	3,500,000
Mr. Wong Kwok Tung Gordon	28 January 2016	3.00	–	2,500,000	–	–	–	2,500,000
Mr. Yang Xingwen	28 January 2016	3.00	–	2,500,000	–	–	–	2,500,000
Mr. Jean-Guy Carrier	28 January 2016	3.00	–	250,000	–	–	–	250,000
Mr. Tse Yung Hoi	28 January 2016	3.00	–	250,000	–	–	–	250,000
Mr. Wang Shi	28 January 2016	3.00	–	250,000	–	–	–	250,000
Mr. Cheng Yuk Wo	28 January 2016	3.00	–	250,000	–	–	–	250,000
Ms. Fan Chiu Fun, Fanny	28 January 2016	3.00	–	250,000	–	–	–	250,000
Mr. Tsui Yiu Wa, Alec	28 January 2016	3.00	–	250,000	–	–	–	250,000
Other eligible participants (in aggregate)	28 January 2016	3.00	–	5,500,000	–	–	–	5,500,000
	21 December 2016	3.71	–	6,000,000	–	–	–	6,000,000
Total			–	21,500,000	–	–	–	21,500,000

There was no movement of the share options granted under the 2012 Scheme for the five-month period from 1 August 2015 to 31 December 2015.

The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model (the "Model"). The contractual life of the share options is used as an input into the Model. Expectations of early exercise are incorporated into the Model.

Fair value of share options and assumptions were as follows:

Date of grant	28 January 2016	21 December 2016
Fair value option at measurement date	HK$1.36 to HK$1.53	HK$1.70 to HK$1.80
Exercise price	HK$3.00	HK$3.71
Expected volatility	43.56%	43.63%
Option life	10 years	10 years
Risk-free interest rate	1.686%	2.008%
Early exercise multiple	Directors: 2.8x/ other eligible participants: 2.2x	other eligible participants: 2.2x
Expected dividend yield	Nil	Nil

The expected volatility was based on the historic volatility of the comparable companies for a period commensurate with the life of the 2012 Scheme, adjusted for any expected changes to future volatility due to publicly available information. The Group recognised approximately HK$13.8 million (2015: nil) share-based payment expenses during the year ended 31 December 2016 in relation to share options granted by the Company.

32. EMPLOYEE RETIREMENT BENEFITS

The Group participates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

Employees of the group companies in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. These group companies are required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

33. 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.

34. 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 the Structural 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

(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)}

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition 1 *(Continued)*

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.

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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition 1 *(Continued)*

	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 revenue of the Group 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.

Acquisition 2

On 22 July 2016, the Group entered into a sale and purchase agreement to acquire 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 e-commence business and related value-added service 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 3rd Profit Guarantee subject to the adjustment as calculated in accordance with the arrangement.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition 2 *(Continued)*

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 ("Audited Results"):

(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")

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

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition 2 *(Continued)*

Profit Guarantee: (Continued)

(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.

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

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition 2 *(Continued)*

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.

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 revenue of the Group 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.

35. DISPOSAL OF SUBSIDIARIES

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 outflow arising on disposal:	
Cash consideration	–
Less: cash and cash equivalent balances disposed of	8
	(8)

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.

35. DISPOSAL OF SUBSIDIARIES *(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
	–

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Contingent assets – Contingent consideration receivable *(note a)*	**–**	–
Contingent liabilities – 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 34.

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**		
The Group	HK$'000	**Level 1** HK$'000	**Level 2** HK$'000	**Level 3** HK$'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.

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, an 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.

37. RELATED PARTY TRANSACTIONS

Other than those disclose elsewhere in the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

(a) Transactions with related parties

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000
Consultancy income from UHI	1,500	–
Consultancy fee paid to UHI	(120)	–
Administrative expenses paid to Argos	(30)	–
Interest expenses paid to Harbour Front Assets Investments Limited*	–	(1,136)
Management and accounting services fee paid to Vital Strategic Corporate Consultancy Limited*	–	(110)
Management and transportation services income received from HKPFH Operation Limited*	–	11,141
Plant hire income received from Gitanes Engineering Company Limited*	–	2,660
Service income received from HKPFH Joint Venture#	–	1,545
Service income received from Harbour Front Assets Investments Limited*	–	7

* All the companies are controlled by a company ultimately controlled by the Directors who have resigned on 2 November 2015.

\# HKPFH Joint Venture was disposed on 2 November 2015.

The Directors are of the opinion that the above related party transactions were conducted on normal commercial terms and at prices with reference to prevailing market prices and in the ordinary course of business.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to Directors as disclosed in Note 13 is as follows:

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Salaries, wages and other benefits	8,064	4,783
Share-based payment expenses	11,196	–
Contributions to defined contribution retirement plans	62	41
	19,322	4,824

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Financial instrument classification	Carrying amount at 31 December 2016 HK$'000	2015 HK$'000
Financial assets			
Trade and other receivables*	Loans and receivables	**93,481**	59,834
Cash and cash equivalents	Loans and receivables	**271,909**	531,896
Amount due from a joint venture	Loans and receivables	**2,545**	2,275
		367,935	594,005
Financial liabilities			
Trade and other payables**	At amortised cost	**33,061**	19,067
Amount due to a joint venture	At amortised cost	**5,149**	6,656
Amount due to related parties	At amortised cost	**–**	5,790
Amount due to directors of subsidiaries	At amortised cost	**–**	1,792
Borrowings	At amortised cost	**17,583**	–
Loan from a related party	At amortised cost	**–**	41,044
Obligations under finance leases	At amortised cost	**67**	137
Contingent consideration	At FVTPL	**10,821**	–
		66,681	74,486

* Excluded advances to suppliers and prepayments, included in other receivables.

** Excluded payroll and welfare payables, other tax payable and advances from customers, included in other payables.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. It is the Group's policy to maintain an appropriate level between its fixed rate and variable rate borrowings so as to minimise the fair value and cash flow interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables being held constant, would increase/decrease the Group's loss after tax by approximately HK$130,700 (five months ended 31 December 2015: HK$344,000).

In the Director's opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of reporting period does not reflect the exposure during the year.

No sensitivity analysis was prepared for bank balances as the financial impact arising on changes in interest rates was minimal due to limited changes in interest rate.

The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(ii) Currency risk

The Group has certain balances denominated in HK$, RMB or United States dollars ("US$") other than the functional currency of respective group entities, which expose the Group to foreign currency risks. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Currency risk (Continued)

The carrying amounts of the Group's monetary assets (liabilities) denominated in foreign currency, i.e. currency other than the functional currency of the respective group entities at the end of the reporting period are as follows:

	2016 HK$'000	2015 HK$'000
HK$	(45,095)	–
RMB	4,388	128
US$	469	–
Singapore dollars	123	–
	(40,115)	128

Currency risk sensitivity analysis

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease against the functional currency of the respective group entities. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign currency rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in loss for the year where foreign currency strengthens 5% against functional currency of respective group entities. For a 5% weakening of foreign currency against functional currency of respective group entities, there would be an equal but opposite impact on the loss for the year.

	2016 HK$'000	2015 HK$'000
Loss for the year		
HK$	(1,664)	5

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade and other receivables are presented net of the allowance for impairment of doubtful debts. Credit risks and exposures are controlled and monitored on an ongoing basis by performing credit evaluation on customers on a case-by-case basis. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For construction contracts, the Group generally requires customers to settle billings in accordance with contracted terms, normally due within 120 days to 150 days from the date of billing. Credit terms of one to three years may be granted to customers for retention receivables. For the sales of jewellery and vessels transactions, the Group generally requires customers to pay upon delivery or settle billings within 90 days from the date of billing. The credit risk pertains to provision of auction business is not material as the auction item will only be delivered to the buyer after full payment is settled. The credit risk on receivables from provision of fintech services is manageable as the Group maintains a reasonably diversified client base with an average credit term of 30 days from the date of billing. Normally, the Group does not obtain collateral from customers. Management closely monitors the credit quality of other receivables and considers other receivables are of good credit quality.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. At the end of the reporting period, the Group has a certain concentration of credit risk arising from trade receivables as 95% (31 December 2015: 90%) of the total receivables were due from the Group's five largest customers.

The Group's credit risk on liquid funds is limited because the counterparties are banks with good reputation established in the PRC and in Hong Kong.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 23.

38. FINANCIAL INSTRUMENTS *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2016				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Non-interest bearing					
Trade and other payables	33,061	33,061	33,061	–	–
Amount due to a joint venture	5,149	5,149	5,149	–	–
Contingent consideration	10,821	–	–	–	–
Interest bearing					
Obligations under finance leases	67	68	68	–	–
Borrowings	17,583	17,583	17,583	–	–
	66,681	55,861	55,861	–	–

	At 31 December 2015				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Non-interest bearing					
Trade and other payables	19,067	19,067	19,067	–	–
Amount due to a joint venture	6,656	6,656	6,656	–	–
Amount due to related parties	5,790	5,790	5,790	–	–
Amount due to Directors of subsidiaries	1,792	1,792	1,792	–	–
Loans from related companies	41,044	43,096	43,096	–	–
Interest bearing					
Obligations under finance leases	137	143	75	68	–
	74,486	76,544	76,476	68	–

38. FINANCIAL INSTRUMENTS *(Continued)*

(e) Reliance on major customers

For the year ended 31 December 2016, the largest and the five largest customers of the Group accounted for in aggregate approximately 23% (five months ended 31 December 2015: 22%) and 73% (five months ended 31 December 2015: 75%) respectively of the Group's total revenue, evidencing a significant reliance on the Group's largest customer for the year ended 31 December 2016. During the year ended 31 December 2016 and five months ended 31 December 2015, the Group had not encountered any material disruption of sales.

(f) Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis.

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

39. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2016:

Name of subsidiary	Place of incorporation/ establishment and business	Class of shares held	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	
DTXS Silk Road Investment (Hong Kong) Limited	Hong Kong	Ordinary	HK$1,000,000	–	–	100	N/A	100	N/A	Investment holding
DTXS Jewellery Resources (HK) Limited	Hong Kong	Ordinary	HK$100,000	–	–	100	N/A	100	N/A	Investment holding
M-Finance Limited	Hong Kong	Ordinary	HK$50,310,010	–	–	85	N/A	85	N/A	Provision of mobile financial value-added services and financial trading platform
China Hong Kong Cultural Asset and Equity Exchange Co., Ltd.	Hong Kong	Ordinary	HK$1	100	N/A	–	–	100	N/A	Trading
Phoenixstar	PRC	Registered	RMB10,000,000	–	–	100	N/A	100	N/A	Auction business
UDL Ventures Limited	Hong Kong	Ordinary	HK$2,000	100	100	–	–	100	100	Investment holding
China Famous Limited	Hong Kong	Ordinary	HK$1	–	–	100	100	100	100	Trading of vessels
East Coast Towing Limited	Hong Kong	Ordinary	HK$11,000,000	–	–	100	100	100	100	Investment holding
Econo Plant Hire Company Limited	Hong Kong	Ordinary	HK$2,000,000	–	–	100	100	100	100	Management services
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	Ordinary	HK$124,000,000	–	–	100	100	100	100	Structural steel engineering work and ship management services
UDL Dredging Limited	Hong Kong	Ordinary	HK$34,000,000	–	–	100	100	100	100	Engineering work
UDL Employment Services Limited	Hong Kong	Ordinary	HK$2	–	–	100	100	100	100	Provision of human resources and management services

* *For identification purpose only*

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Non-current assets		
Property, plant and equipment	**600**	2,227
Investments in subsidiaries	**82,453**	82,553
	83,053	84,780
Current assets		
Amounts due from subsidiaries	**518,737**	48,494
Other receivables	**1,641**	2,075
Amount due from a joint venture	**100**	100
Cash and cash equivalents	**119,454**	510,586
	639,932	561,255
Current liabilities		
Other payables	**2,813**	3,709
Loan from Harbour Front Assets Investments Limited	**–**	3,250
Amount due to subsidiaries	**235**	100
	3,048	7,059
Net current assets	**636,884**	554,196
Total assets less current liabilities	**719,937**	638,976
Capital and reserves		
Share capital	**252,059**	237,318
Reserves *(note)*	**467,878**	401,658
Total equity	**719,937**	638,976

The financial statements were approved and authorised for issue by the board of Directors on 30 March 2017 and were signed on its behalf by:

Lu Jianzhong	**Wong Kwok Tung Gordon**
Director	*Director*

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

note:

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year/period are set out below:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus* HK$'000	Share option reserve HK$'000	Scheme reserve HK$'000	Accumulated losses# HK$'000	Total HK$'000
At 1 August 2015	332,726	1,264	21,689	–	287,524	(694,332)	(51,129)
Loss for the period	–	–	–	–	–	(9,846)	(9,846)
Shares issued by placing of shares	110,046	–	–	–	–	–	110,046
Shares issued on open offer	352,587	–	–	–	–	–	352,587
At 31 December 2015	795,359	1,264	21,689	–	287,524	(704,178)	401,658
At 1 January 2016	**795,359**	**1,264**	**21,689**	**–**	**287,524**	**(704,178)**	**401,658**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(33,331)**	**(33,331)**
Shares issued for acquisition of subsidiaries	**85,791**	**–**	**–**	**–**	**–**	**–**	**85,791**
Share options granted	**–**	**–**	**–**	**13,760**	**–**	**–**	**13,760**
At 31 December 2016	**881,150**	**1,264**	**21,689**	**13,760**	**287,524**	**(737,509)**	**467,878**

* The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation in prior years, over the nominal value of the Company's shares issued in exchange. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently meet.

\# At 31 December 2016, in the opinion of the Directors, the Company did not have any reserve available for distribution to shareholders (2015: nil).

41. 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.

Five-Year Financial Summary

A summary of the results of the Group and of its assets and liabilities for the last five financial periods as extracted from the audited financial statements is set out below:

	Year ended 31 December 2016 HK$'000	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000	2014 HK$'000	2013 HK$'000
Results					
Revenue	**122,307**	60,197	89,042	119,722	68,197
Loss before taxation	**(74,071)**	(20,669)	(38,142)	(40,854)	(37,595)
Taxation	**569**	–	–	–	(24)
Loss for the year/period from continuing operations	**(73,502)**	(20,669)	(38,142)	(40,854)	(37,619)
Gain (loss) for the year/period from discontinued operation	**–**	–	–	29,169	(42,491)
Loss for the year/period	**(73,502)**	(20,669)	(38,142)	(11,685)	(80,110)
Loss for the year/period attributable to:					
Owners of the Company	**(73,497)**	(20,669)	(38,142)	(11,714)	(76,050)
Non-controlling interests	**(5)**	–	–	29	(4,060)
	(73,502)	(20,669)	(38,142)	(11,685)	(80,110)

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000	2014 HK$'000	2013 HK$'000
Assets and liabilities					
Total assets	**779,721**	701,745	233,294	189,753	491,890
Total liabilities	**(123,917)**	(76,196)	(141,780)	(60,396)	(314,686)
Net assets	**655,804**	625,549	91,514	129,357	177,204