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

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Directors" or the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") announces the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** HK$'000	2016 HK$'000
Revenue	4	**203,489**	122,307
Other income		**938**	1,278
Changes in inventories		**(46,477)**	(38,643)
Financial trading technologies and related value-added services costs		**(5,152)**	(1,071)
Staff costs	7(a)	**(68,181)**	(50,242)
Marine, construction and structural steel engineering costs	7(b)	**(71,842)**	(61,474)
Depreciation and amortisation expenses	7(c)	**(23,450)**	(14,113)
Other operating expenses	7(d)	**(52,845)**	(28,420)
Other gains and losses		**2,179**	14,293
Gain on disposal of subsidiaries	14	**5,504**	8
Loss from operations		**(55,837)**	(56,077)

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Loss from operations		**(55,837)**	(56,077)
Finance costs	*6*	**(845)**	(1,384)
Share of losses of joint ventures		**(1,907)**	(16,610)
Loss before taxation	*7*	**(58,589)**	(74,071)
Taxation	*8*	**(6,201)**	569
Loss for the year		**(64,790)**	(73,502)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**30,789**	(13,466)
Reclassification of exchange fluctuation reserve upon disposal of subsidiaries		**(3,884)**	–
Total comprehensive expense for the year		**(37,885)**	(86,968)
Loss attributable to:			
Owners of the Company		**(63,925)**	(73,497)
Non-controlling interests		**(865)**	(5)
		(64,790)	(73,502)
Total comprehensive expense attributable to:			
Owners of the Company		**(38,150)**	(86,950)
Non-controlling interests		**265**	(18)
		(37,885)	(86,968)
Loss per share	*10*		
Basic and diluted (in HK cents)		**(11.69)**	(15.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current Assets			
Property, plant and equipment		**203,539**	42,700
Intangible assets		**128,221**	125,050
Goodwill		**199,320**	186,401
Prepaid lease payments		**–**	318
Interests in joint ventures		**–**	26,032
Other financial asset		**–**	–
Loan receivables		**9,719**	–
		540,799	380,501
Current Assets			
Inventories		**45,912**	15,086
Prepaid lease payments		**–**	67
Trade and other receivables	*11*	**277,614**	99,814
Loan receivables		**7,593**	–
Amounts due from customers for contract work		**–**	9,584
Amount due from a joint venture		**–**	2,545
Tax recoverable		**30**	215
Bank balances and cash		**72,914**	271,909
		404,063	399,220
Current Liabilities			
Trade and other payables	*12*	**47,979**	59,791
Obligations under finance leases		**–**	67
Borrowings		**38,091**	17,583
Amount due to a joint venture		**–**	5,149
Tax liabilities		**6,664**	243
Contingent consideration payables		**4,000**	–
		96,734	82,833
Net Current Assets		**307,329**	316,387
Total Assets Less Current Liabilities		**848,128**	696,888

	2017	2016
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**277,569**	252,059
Reserves	**519,033**	400,832
Equity attributable to owners of the Company	**796,602**	652,891
Non-controlling interests	**15,178**	2,913
Total Equity	**811,780**	655,804
Non-Current Liabilities		
Deferred tax liabilities	**28,856**	30,263
Contingent consideration payables	**7,492**	10,821
	36,348	41,084
	848,128	696,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

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

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

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"). The consolidated 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.

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.

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

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

(i) 獨家營運及技術服務協議 (Exclusive Operation and Technology Support Services Agreement*);

(ii) 獨家購買權協議 (Exclusive Right to Purchase Agreement*);

(iii) 股東表决權委託協議 (The Voting Rights Proxy Agreement*); and

(iv) 股權質押協議 (Equity Pledge Agreement*).

* *For identification purpose only*

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

The Structured Arrangements are irrevocable and enable the Group to:

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

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

2. BASIS OF PREPARATION

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

3. APPLICATION OF NEW AND REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effect for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

New and revised to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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 Amendements*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK (IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK (IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[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 HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

[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 2021

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue from:		
Provision of auction and related services	**42,716**	5,869
Provision of fintech services	**35,173**	8,811
Sales of merchandise	**47,785**	–
Sales of antique	**–**	12,677
Sales of jewellery	**–**	10,500
Sales of vessels	**38,728**	36,520
Provision of marine engineering services	**34,030**	39,965
Provision of construction and structural steel engineering services	**5,057**	7,965
	203,489	122,307

5. SEGMENT INFORMATION

The Group manages its businesses by divisions. Segment information is disclosed 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 art central business district ("ACBD") and vineyard businesses, the segment information was re-defined into the following operating and reportable segments to align with the Group's long term business strategy. Following the change, the segment information for the year ended 31 December 2016 has been represented to conform to the presentation of current year's consolidated financial statements.

- Arts and Cultural Division – mainly represents auction business and sales of antique, art financing business and ACBD business
- Fintech Division – mainly represents financial e-commerce business and provision of financial trading platform and solutions
- Winery Division – mainly represents operation of vineyard, production and sales of wine and related business
- e-Commerce Division – mainly represents trading of merchandise
- Jewellery Division – mainly represents sales of jewellery*
- Engineering Services Division – mainly represents sales of vessels, provision of marine engineering and construction and structural steel engineering services

* No transaction during the year ended 31 December 2017.

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

During the year ended 31 December 2017, for performance assessment and resources allocation, the CODM focused on segment revenue and results attributable to each segment, which is measured by reference to respective segments' results before taxation and adjusted by amortisations of intangible assets acquired in business combinations ("Adjusted IA Amortisations"). 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 years ended 31 December 2017 and 2016.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, share of results of joint ventures, gain on disposal of subsidiaries, finance costs and loss arising from changes in fair value of contingent consideration payables.

For the year ended 31 December 2017:

	Arts and Cultural Division	Fintech Division	Winery Division	e-Commerce Division	Jewellery Division	Engineering Services Division	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue:							
Revenue from external customers	**42,716**	**35,173**	**1,239**	**46,546**	**–**	**77,815**	**203,489**
Segment results*	**19,365**	**189**	**(5,265)**	**(783)**	**(100)**	**(13,014)**	**392**
Unallocated other income							**244**
Unallocated corporate expenses							**(51,149)**
Unallocated depreciation expense							**(1,563)**
Unallocated amortisation expense							**(6,513)**
Loss before taxation							**(58,589)**

For the year ended 31 December 2016:

	Arts and Cultural Division	Fintech Division	Winery Division	e-Commerce Division	Jewellery Division	Engineering Services Division	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue:							
Revenue from external customers	18,546	8,811	–	–	10,500	84,450	122,307
Segment results*	2,419	193	–	–	104	(50,344)	(47,628)
Unallocated other income							424
Unallocated corporate expenses							(22,291)
Unallocated depreciation expense							(108)
Unallocated amortisation expense							(4,380)
Unallocated finance costs							(88)
Loss before taxation							(74,071)

* Segment results are before taxation and Adjusted IA Amortisations.

(b) Geographical information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers for the years ended 31 December 2017 and 2016; and (ii) the Group's property, plant and equipment, goodwill, intangible assets and prepaid lease payments ("specified non-current assets") as at 31 December 2017 and 2016. 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.

	Revenue from external customers		**Specified non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**182,682**	116,465	**172,064**	88,774
PRC	**20,807**	5,842	**322,908**	265,695
France	**–**	–	**36,108**	–
	203,489	122,307	**531,080**	354,469

(c) Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A		
– Revenue from sales of jewellery	*	12,677
Customer B		
– Revenue from sales of vessels	*	27,628
Customer C		
– Revenue from sales of vessels	**31,000**	–
– Revenue from provision of marine engineering and construction and structural steel engineering services	**15,823**	17,109
Customer D		
– Revenue from provision of marine engineering and construction and structural steel engineering services	*	19,803
Customer E		
– Revenue from provision of marine engineering and construction and structural steel engineering services	*	12,431
Customer F		
– Revenue from sales of merchandise	**34,253**	–

* The amount was less than 10% of total revenue of the Group.

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on loans	**845**	1,382
Finance charges on obligations under finance leases	**–**	2
	845	1,384

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
(a) Staff costs (including Directors' emoluments)		
Salaries, wages and other benefits	**52,768**	36,070
Contributions to defined contribution retirement plans	**898**	412
Share-based payment expenses	**14,515**	13,760
	68,181	50,242
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	**55,693**	37,045
Direct overheads	**1,478**	1,386
Repairs, maintenance and vessel security costs	**9,385**	8,386
Transportation costs	**5,286**	14,657
	71,842	61,474
(c) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	**13,012**	7,700
Amortisation of intangible assets	**10,381**	6,344
Release of prepaid lease payments	**57**	69
	23,450	14,113
(d) Other items (included in other operating expenses)		
Auditor's remuneration	**1,630**	1,630
Legal and professional fees	**7,699**	6,549
Secretarial and registration fees	**932**	1,349
Operating lease charges in respect of office premises and plant	**16,683**	8,863

8. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**5,068**	–
PRC	**2,540**	–
	7,608	–
Deferred tax	**(1,407)**	(569)
	6,201	(569)

The Company and subsidiaries of the Group incorporated in Bermuda and the British Virgin Islands 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 in 2016 as the Group did not derive any assessable profits subject to Hong Kong Profits Tax during the year ended 31 December 2016.

The PRC subsidiaries of the Group are subject to PRC Enterprises Income Tax rate of 25% for both current year and prior year. No provision for PRC Enterprises Income tax has been made in 2016 as the Group's PRC subsidiaries did not generate any assessable profits during the year ended 31 December 2016.

The tax charge for the year ended 31 December 2017 can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation	**(58,589)**	(74,071)
Tax at 16.5%	**(9,667)**	(12,222)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(55)**	162
Tax effect of non-deductible expenses	**16,755**	11,429
Utilisation of tax losses previously not recognised	**(4,145)**	(4,616)
Tax effect of unused tax losses not recognised	**3,313**	4,678
Taxation	**6,201**	(569)

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: nil).

10. 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:

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**63,925**	73,497

	Number of ordinary shares *('000)*	
Weighted average number of shares for the purposes of basic and diluted loss per share	**546,891**	488,690

For the years ended 31 December 2017 and 2016, 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 years.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**35,433**	41,642
Less: Allowance for doubtful debts	**(2,122)**	(2,122)
	33,311	39,520
Other receivables *(Note (b))*	**248,297**	65,384
Less: Impairment losses	**(5,682)**	(7,281)
	242,615	58,103
Retention money receivables	**1,688**	2,191
	277,614	99,814

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 end date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**17,726**	7,341
31 – 90 days	**10,352**	3,872
91 – 180 days	**3,964**	488
181 – 360 days	**596**	27,670
Over 360 days	**2,795**	2,271
	35,433	41,642
Less: Allowance for doubtful debts	**(2,122)**	(2,122)
	33,311	39,520

Except for retention money receivables, credit terms granted by the Group to customers generally range from 30 to 150 days.

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 movement in the allowance for doubtful debts during the years ended 31 December 2017 and 2016.

As at 31 December 2017, the Group's trade receivables of HK$2,122,000 (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**29,654**	11,213
Past due but not impaired		
91 – 180 days	**2,388**	486
181 – 360 days	**596**	27,670
Over 360 days	**673**	151
	33,311	39,520

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

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

(b) Other receivables

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

As at 31 December 2017, advances to consignors for auction business amounted to approximately HK$228,478,000 (2016: HK$47,555,000). The balance is secured by auction goods from consignors which will be offset from sales proceed of auction items, and with fixed interest rates from 11% to 18% per annum. These advances to consignors for auction business are either repayable on demand or repayable within 12 months in accordance with the respective agreements.

Impairment of other receivables

	2017	2016
	HK$'000	*HK$'000*
At beginning of the year	**7,281**	31,585
Impairment loss recognised	**–**	47
Amounts write off as uncollectible	**–**	(7,098)
Disposal of subsidiaries	**(1,599)**	–
Amounts recovered during the year	**–**	(17,253)
At end of the year	**5,682**	7,281

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade creditors	**10,138**	13,416
Advances received from customers	**3,224**	21,905
Accruals	**11,086**	11,109
Other payables	**23,531**	13,361
	47,979	59,791

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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**6,519**	8,182
31 – 90 days	**1,899**	2,208
91 – 180 days	**747**	746
181 – 360 days	**83**	1,410
Over 360 days	**890**	870
	10,138	13,416

13. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a property and arts and cultural collectibles

On 1 March 2017 (the "Completion Date"), the Group completed the acquisition of 100% of the equity interest of Best Merit Global Limited, a property investment holding company incorporated in the British Virgin Islands with limited liability, which through a wholly-owned subsidiary holds a property located in Xian City, the PRC, and the arts and cultural collectibles as inventories from Da Tang Xi Shi International Holdings Limited (the "Vendor"), a substantial shareholder of the Company at a total consideration of HK$167,346,000, which was settled by issuance of 51,020,312 ordinary shares of the Company, with market price at HK$3.28 per share at the Completion Date.

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.

Acquired property and inventories have been assessed by independent firms of surveyors, Asset Appraisal Limited and Jones Lang LaSalle separately, which are independent qualified professional valuers in Hong Kong. The Group recognises the property and inventories acquired by allocating the purchase price on the basis of their respective fair values at the date of purchase.

The Vendor undertook to grant the option at a consideration of HK$1 to the Group that if the Group is not being able to distribute all or any goods of the arts and cultural collectibles within two years after the Completion Date, it is at the discretion of the Group to require the Vendor to repurchase the arts and cultural collectibles in cash at their respective original purchase prices. The option shall be exercisable by the Group between 24 months and 27 months from the Completion Date.

The Directors are of the opinion that the above arts and cultural collectibles can be easily distributed with not lower than original purchase prices. Thus, the possibility of exercising option is very low and the fair value of the option at the Completion Date and at 31 December 2017 is insignificant.

The acquisition did not constitute a business combination in accordance with HKFRS 3 "Business Combination" and such acquisition was regarded as acquisition of assets through acquisition method.

Acquisition-related costs are insignificant and 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.

(b) Acquisition of vineyard business

On 8 June 2017, the Group, through a directly non-wholly-owned subsidiary, completed the acquisition of the vineyard business from two independent third parties namely Chateau Puy-Bardens and Domaines Bonfils at a cash consideration of Euro4,115,000 (equivalent to HK$35,819,000) (the "Acquisition of Vineyard Business"). This acquisition has been accounted for using the purchase method.

	HK$'000
Consideration transferred	
Cash consideration paid	35,819

Acquisition-related costs amounting to HK$5,973,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2017, within the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	30,159
Inventories	5,660
	35,819

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	35,819
Less: net assets acquired	35,819
Goodwill arising on acquisition	–

	HK$'000
Net cash outflow on the Acquisition of Vineyard Business:	
Cash consideration paid	35,819

Included in the loss for the year was HK$4,760,000 attributable to the additional business generated by vineyard business. No revenue for the year was generated from the vineyard business.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year would have been HK$203.5 million and loss for the year would have been HK$64.8 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 8 June 2017, nor is it intended to be a projection of future results.

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

14. DISPOSAL OF SUBSIDIARIES

On 8 December 2017, UDL Ventures Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party. Consequently, the Group disposed of its entire equity interests in UDL Ship Holdings Limited ("USHL") and its subsidiaries and joint ventures at a total cash consideration equivalent to HK$45,244,000. The net assets of USHL and its subsidiaries and joint ventures at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	45,244

	At 8 December 2017
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	20,364
Interests in joint ventures	24,125
Prepaid lease payments	347
Amount due from a joint venture	2,175
Trade and other receivables	1,726
Cash and cash equivalents	496
Trade and other payables	(4,902)
Amount due to a joint venture	(587)
Borrowings	(120)
Net assets disposed of	43,624
Gain on disposal of subsidiaries:	
Consideration received	45,244
Net assets disposed of	(43,624)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	3,884
Gain on disposal of subsidiaries	5,504
Net cash inflow arising on disposal:	
Cash consideration	45,244
Less: cash and cash equivalents disposed of	(496)
	44,748

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's revenue of HK$203.5 million increased by 66.4% as compared with 2016. Net loss was HK$64.8 million for the year, decreased by 11.9% as compared with 2016.

BUSINESS REVIEW

Arts and Cultural Division

This division, comprising the auction business and the ACBD business, contributed a segment revenue of HK$42.7 million, up 130.3% as compared with 2016. The segment profit before taxation and amortisation of intangible assets ("Segment Profit") was HK$19.4 million, an seven-fold increase as compared with 2016.

Auction Business

The Group's auction business in the mainland China is conducted by a wholly-owned subsidiary, through relevant structured contracts, Phoenixstar. It is a Beijing based boutique auction house specialising in arts and collections auction business, in particular bronze mirrors and jadeware. During 2017, we have conducted three large scale auctions in Beijing, one large scale auction in Hong Kong and two special collection auctions in Beijing and Xian, as well as commenced a new auction prepayments and art financing business.

Despite the current difficult business environment and the slump in the arts and antique industry, our overall auctions results were satisfactory. Apart from our area of specialty, being bronze mirrors and antique buddha figures, each of our Beijing auctions did include additional special collections, these include antique ceramics, ancient jadeware, vintage wine, Chinese paintings, etc. Such combination of auction items not only allow us to retain our long term customers from bronze mirrors, but also attracting more new collectors to participate in different areas of interests, thus, effectively enlarging our customer base.

Our first ever Hong Kong auction was conducted in November 2017 at our newly opened Hong Kong ACBD center. The auction atmosphere was extremely lively with hundreds of participants from different regions. The auction items were based on overseas returned collections focuses on ancient Chinese art pieces, in particular, bronze mirrors and antique buddha figures. The Hong Kong auction has achieved remarkable results both in terms of items auctioned and price sold.

Although we did experience a slight upturn in the arts and antique industry during the beginning of the year, collecting auction items from collectors remain the most difficult task. With the introduction of our new auction prepayments and art financing business, whereby when collectors require cash liquidity, they may pledge their collections with us for a cash advance against a portion of their collection's valuation, and those pledged collections will later be sold during our auctions. This business not only provides more flexibility to our auction participants, but also derives additional income source for the Group. Due to our conservative approach, we have not experienced any bad debts so far and it contributed positively to the results of our Group, both in terms of interest income and commission income from auction items collected and sold.

It is the intention of the management to continue to ride on this growth momentum and expanding our auction business both geographically in Hong Kong for overseas market, and functionally in contemporary arts and paintings and jewellery. Furthermore, this business will collaborate with e-Commerce Division to incorporate an online art shop with a build-in function for online auction.

On 11 July 2016, the Company completed the acquisition of 100% equity interests in China King Sing and its subsidiaries (the "CKSLF") (the "Auction Acquisition") at the consideration of RMB250.0 million (the "Auction Consideration") which was satisfied by way of cash payment of RMB150.0 million and the issuance of 29,481,480 shares of the Company (the "Consideration Shares") at the price of HK$4.00 per share.

As disclosed in the announcement dated 20 June 2016 regarding the Auction Acquisition, the vendors of CKSLF (the “Auction Vendors”) have guaranteed to the Company that the audited consolidated net profit after tax of CKSLF (the “Net Profit”) for each of the financial period/years ended 30 June 2017, 30 June 2018 and 30 June 2019 (the “Guaranteed Period(s)”) shall not be less than certain guaranteed amounts (the “Profit Guarantee(s)”) as set opposite to the relevant Guaranteed Periods as defined in the table below:

Guaranteed Periods	Profit Guarantees (RMB)
11 July 2016 to 30 June 2017 (the “First Guaranteed Period”)	25,000,000 (the “First Profit Guarantee”)
1 July 2017 to 30 June 2018	35,000,000
1 July 2018 to 30 June 2019	45,000,000

The Consideration Shares have been deposited with the Company as security for the due performance of the Profit Guarantees by the Auction Vendors, with adjustment to the Auction Consideration as follows: (i) Should the deficit (if any) between the average Net Profit during the Guaranteed Periods (the “Average Profit”) and the average Profit Guarantee per year (i.e. RMB35.0 million of the latter (equivalent to approximately HK$41.3 million)) (the “Average Profit Guarantee”) is less than or equal to 10% of the latter (i.e. the Average 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 Average Profit and the Average Profit Guarantee is more than 10% of the latter, 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)}

Upon 100% fulfilment of the Profit Guarantee, the Company shall release all the Consideration Shares to the Auction Vendors. However, if any adjustment to the Auction Consideration as aforesaid is required, the Auction Vendors shall forthwith dispose of part of the Consideration Shares so as to raise funds to pay the compensation aforesaid to the Company and if there is any remaining shortfall, the Auction Vendors shall forthwith pay such shortfall to the Company.

Based on the financial results of CKSLF commencing from 11 July 2016 to 31 December 2016 and the financial results of CKSLF for the year ended 31 December 2017 reflected in the audited consolidated financial statements of the Company for the years ended 31 December 2016 and 2017 respectively, the Net Profit for the First Guaranteed Period is expected to be lower than the First Profit Guarantee. However, for the purpose of adjusting the Auction Consideration, the actual shortfall between the Average Profit and the Average Profit Guarantee has yet to be ascertained until the release of audit accounts of CKSLF for the financial year ending 30 June 2019, which is expected to be available on or before 31 December 2019. Further announcement(s) will be made by the Company in relation to the Profit Guarantee as and when appropriate.

ACBD Business

On 1 March 2017, the Company has completed the acquisition of certain properties in Xian City from its controlling shareholder, for the purpose of establishing our first ACBD center, being the physical presence of our Arts and Cultural Division, and on 1 September 2017, our second ACBD center, Hong Kong ACBD center was officially opened for businesses. The main business functions of these centers are to provide integrated functions of storage, exhibition, auction, promotion and trading of arts and collections.

Since the official opening of these locations, we have been working closely with different artists to conduct exhibitions and promote their art works, conducting joint events with different public relation and media companies to promote our business concept and artworks, as well as being the permanent site for hosting our own auction in Hong Kong. It is the intention of the management to reposition its Beijing office as another ACBD center in 2018, and carry out some of the integrated functions there.

Winery Division

This division contributed a segment revenue of HK$1.2 million (2016: nil), and a segment loss before taxation and amortisation of intangible assets ("Segment Loss") of HK$5.3 million (2016: nil).

On 8 June 2017, the Company completed the acquisition of 70% interests of a French vineyard, Chateau Puy Bardens, which is located at the south east of Bordeaux City, France. Despite a significant part of Bordeaux was affected by frost in May 2017 and hell storm in August 2017, our properties and our vineyard were not affected, and we have experienced a great success for our 2017 harvest of Puy Bardens red wine. It is expected to produce around 90,000 bottles from this 2017 harvest.

On the sales and marketing side, since we are the wine maker and owner of our own wine label, it has given us more creditability and control over the wine distribution when making arrangements with distributors. However, due to the complicated registration and export procedures for shipping the wine to this region, the first batch has only arrived in Hong Kong and China during the latter part of December 2017. We have conducted initial marketing and commenced our distribution during the first quarter in 2018.

With our ongoing marketing efforts and the established distribution capabilities, through the members of Silk Road Chamber of International Commerce ("SRCIC"), our parent company's initiatives on Silk Road promotion, we have been approached by several wine makers from different countries, including the countries of Georgia and Bulgaria to act as their representative in this region. We are making careful market assessment and feasibility studies as to the acceptance of such new world wine from consumer perspective, then decide on whether we will represent them as agent to this region.

Fintech Division

During the year ended 31 December 2017, a segment revenue of HK$35.2 million (2016: HK$8.8 million), and a Segment Profit of HK$0.2 million (2016: HK$0.2 million) were recorded, of which revenue and net profit contributed from our 85%-owned Digital Mind Holdings Limited ("m-Finance") to this division were HK$35.2 million and HK$10.7 million, respectively.

m-Finance is one of the market leaders in the greater China area in providing real-time mission critical forex/commodities trading platform solutions. 2017 marked an extremely challenging year for m-Finance, as Mainland Chinese authorities have stepped up measures in control over the financial sector, in particular, over the counter trading activities. This has shattered our expansion plan in China, and the management has immediately re-positioned its efforts in Hong Kong and overseas, and was successful in recruiting its first client in Thailand. During the second half of 2017, it can be evident that more Chinese firms are setting up operations in Hong Kong, and the management was able to capture some of these increase in volume, and our number of active clients has robustly increased by 20% over the year.

With the increasing competition from the software industry, it is essential for m-Finance to broaden its business activities and revenue sources, not to rely too heavily on licensing our trading platform. We have developed other initiatives such as other value-added software programs including algorithmic trading systems and STP solutions, and services to support our clients, including the "Broker +" system which enable our customers to link up with our major competitor's system and surge of their trading volume; interactive charts; news feed; MarketMaster (金融大俠) social trading apps, etc.. Furthermore, we made partnership with world class fintech, Tradency, to provide automated trading solutions (over 1 million professional trading strategies) services, as well as financial institutions to act as our liquidity partners and to provide liquidity solutions. Some of these services are charged on a transactional volume/contract basis.

During the year, the Company, through an 85%-owned company, DTXS FinTech Limited, commences to develop an electronic communication network ("ECN"), an automated system that matches buy and sell orders (whether in partial or complete orders). It intends to connect existing and potential m-Finance's brokerage clients and individual traders so they can trade directly between themselves without going through a third party and make it possible for investors in different geographic locations to quickly and easily trade with each other. With our advanced ECN system, brokers can build an order book composing and providing the best bid and offer to their clients from a wide variety of market participants. The ECN system automatically matches and executes the orders requested, which are filled at the best available prices. Price competition is therefore encouraged and consequently ultra-tight spreads, deep liquidity, transparent pricing and low latency are attained via full depth of the market. Its business model involves charging a transaction fee for each trade being completed and is expected to roll out during first quarter of 2018.

m-Finance has been continuing to be well recognised by the market as can be demonstrated by the awards it received each year. During 2017, it was awarded the titles as the "Most Outstanding Trading Platform Provider 2017 – Hong Kong" by AI Global Media Ltd. and the "Best Forex Platform Provider" in the 2017 Zhengzhou Finance Expo, and was received awards as the "Best Forex Trading Solutions Provider – Asia" by Asia-APAC Business Awards and the "Most Innovative Trading System" by APAC Business Awards.

On 26 August 2016, the Company completed the acquisition of 85% interests in m-Finance (the “m-Finance Acquisition”) at a total maximum cash consideration of HK$40.8 million (subject to adjustments as detailed below), of which HK$28.8 million has been paid (the “Down Payment”). As disclosed in the announcement dated 22 July 2016 regarding the m-Finance Acquisition, the vendor of m-Finance (the “m-Finance Vendor”) has guaranteed to the Company that the audited consolidated profit after tax of m-Finance (the “Net Profit”) for certain periods (the “Guaranteed Period(s)”) shall not be less than certain guaranteed amount (the “Profit Guarantee”) as set opposite to the relevant Guaranteed Period as defined in the table below:

Guaranteed Periods	Profit Guarantees (HK$)
26 August 2016 to 31 December 2017 (the “2017 Guaranteed Period”)	10,000,000
1 January 2018 to 31 December 2018 (the “2018 Guaranteed Period”)	9,000,000
1 January 2019 to 30 June 2019 (the “2019 Guaranteed Period”)	5,000,000

The consideration adjustments shall be calculated in the following manner:

(a) If the Net Profit for the 2017 Guaranteed Period is more than or equal to HK$10,000,000, then the Company is required to pay HK$4,000,000 (the “First Adjusted Consideration Payment”) in cash to the m-Finance Vendor. If the Net Profit for the 2017 Guaranteed Period 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 = Net Profit for the 2017 Guaranteed Period (in HK$). In case B is a negative (i.e. loss), then B is set as zero.

(b) If the Net Profit for the 2018 Guaranteed Period is more than or equal to HK$9,000,000, then the Company is required to pay HK$4,000,000 (the "Second Adjusted Consideration Payment") in cash to the m-Finance Vendor. If the Net Profit for the 2018 Guaranteed Period 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 = Net Profit for the 2018 Guaranteed Period (in HK$). In case B is a negative (i.e loss), then B is set as zero.

(c) If the Net Profit for the 2019 Guaranteed Period is more than or equal to HK$5,000,000, then the Company is required to pay HK$4,000,000 in cash to the m-Finance Vendor subject to the adjustment on the total consideration as calculated in accordance with the formulae as stated below (the "Adjusted Total Consideration"). If the aggregated Net Profits for the 2017, 2018 and 2019 Guaranteed Periods (the "Aggregated Net Profits") is less than HK$24,000,000, then the Adjusted Total Consideration will be as follows:

F = HK$40,800,000 x the Aggregated Net Profits/HK$24,000,000

Where:

F = 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 Down Payment, the First Adjusted Consideration Payment and the Second Adjusted Consideration Payment (the "Total Payments"), such excess will be paid by the Company to the m-Finance Vendor as the Final Adjusted Consideration Payment. If the Adjusted Total Consideration is less than the Total Payments, such shortfall will be paid by the m-Finance Vendor to the Company. However, the net consideration (after having the above adjustments) shall be in no event less than HK$28,800,000.

Based on the financial results of m-Finance commencing from 26 August 2016 to 31 December 2016 reflected in the audited consolidated financial statements of the Company for the year ended 31 December 2016 and the financial results of m-Finance for the year ended 31 December 2017, the Net Profit for 2017 Guaranteed Period has exceeded HK$10,000,000 and therefore the 2017 Profit Guarantee will be expected to be met. The Company is required to pay the First Adjusted Consideration Payment of HK$4,000,000 if the Net Profit for 2017 Guaranteed Period exceeds HK$10,000,000 after the issuance of the audited accounts of m-Finance for the period from 26 August 2016 to 31 December 2017 which is expected to be available on or before 30 June 2018. Further announcement(s) will be made by the Company in relation to the First Adjusted Consideration Payment as and when appropriate.

e-Commerce Division

This division contributed a segment revenue of HK$46.5 million (2016: nil), and a Segment Loss of HK$0.8 million (2016: nil).

The division has commenced its operation since August 2017, initially focusing on the trading of electronics products, such as mobile phones and their accessories, our product range has now expanded into cosmetic products, travel and leisure items, watches, and accessories, etc. As at 31 December 2017, we have licensed over 50 product brands with over 200 products.

In December 2017, we have commenced an innovative inflight retail home delivery program by integrating inflight shopping, Chinese cross-border e-commerce platform and home delivery services. The Airline passengers may select products from the inflight shopping guide, placing orders during the flight and make online payment. The product will then be arranged to be delivered to their home from our partnered Hong Kong warehouse. This e-commerce platform not only allows us to reach out and distributes products to over 36 million annual passenger volume of the airline, but also eliminates the inflight inventory. This business model has proven to be successful, and we have already been approached by several other airlines to incorporate a similar inflight shopping model using the cross border e-commerce platform.

It is the intention of the management to continue expanding this division based on the Company's competitive advantage of different divisions, and becoming their online distribution channel, for instance, our Puy Bardens wine for our Winery Division, jewellery and artworks for our Arts and Cultural Division.

Furthermore, we will take advantage of our parent group's initiatives on Silk Road promotion, in particular, the business opportunities arises from SRCIC, whereby we may bring more Silk Road countries merchandises to China, and marketing Chinese brands to their respective countries.

Engineering Services Division

This division contributed a segment revenue of HK$77.8 million (2016: HK$84.5 million), and a Segment Loss of HK$13.0 million (2016: HK$50.3 million).

The management has completed our review of strategic positioning, business operations and financial prospect of this division with an aim of a sustainable long term business development. Based on its financial performance and the competitive strength of the parent company, we have concluded that this division should not be included in our long term business strategy.

On 8 December 2017, the Company has disposed of several subsidiaries which held the leasehold land in the PRC, and certain vessels and carry corresponding supporting functions for a consideration of HK$45.2 million and has recorded a gain of HK$5.5 million. These assets are considered non-core and non-crucial to the operation of the Group's Engineering Services Division and the resources have been deployed to our other principal businesses.

OUTLOOK

Since our controlling shareholder, DTXS Investment has taken over the Company in 2015, we have successfully transformed into arts and cultural related business function with certain e-commerce capabilities. With China's repeated emphasis on/urge to enhancing cultural awareness and cultural self-confidence, we see ample of opportunities and intend to continue focus and expand in this industry. 2017 has been an exciting year for growth with assets and businesses related to this arts and cultural industry injected into the Company. For 2018, we will continue to focus on consolidating existing business divisions, executing the new business ideas for each of the divisions, and creating synergies among different divisions within the Group. Furthermore, we will be actively exploring and capture opportunities arises from our parent company initiatives on Silk Road promotion and work closely with SRCIC.

According to statistics published by the Chinese government, GDP growth in 2016 and 2017 of Shaanxi Province and Xian City has outperformed the national rate, and with all other economic indicators and developments of the City and the Province, we believe they are entering into a stage to high growth, and plenty of attractive opportunities will arise. The management shall continue leverage on the parent company business network and capture growth opportunities. This includes partnering with the parent company and/or further acquiring assets from the parent company with cultural elements involved.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operations and acquisition activities were mainly financed by funds raised through placing and open offer of new shares of the Company in the fourth quarter of 2015 and the proceeds from disposals of certain subsidiaries of Engineering Services Division.

As at 31 December 2017, the Group's total cash and cash equivalents balance amounted to HK$72.9 million, which was denominated mainly in Hong Kong Dollars, representing a decrease of HK$199.0 million as compared with the cash and cash equivalents balance of HK$271.9 million as at 31 December 2016. The decrease was mainly attributable to the additional financial resources deployed in the auction prepayments and art financing business as well as acquisition of a vineyard during the year.

As at 31 December 2017, the Group had outstanding secured borrowings of HK$0.6 million and unsecured borrowings of HK$37.5 million (2016: HK$2.2 million and HK$15.4 million respectively). The total amount of borrowings of HK$38.1 million (2016: HK$17.6 million) is 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 14.1% as at 31 December 2017 (2016: 15.9%).

FOREIGN EXCHANGE EXPOSURE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars and Renminbi, representing the functional currency of respective group companies. Income and expenses derived from the operations in PRC are mainly denominated in Renminbi.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) using exchange rates prevailing at 31 December 2017. Income and expense items are translated at the average exchange rates for the year ended 31 December 2017. Exchange differences arising from the translation of foreign operations of exchange gain of HK$30.8 million (2016: exchange loss of HK$13.5 million) for the year are recognised in other comprehensive income and accumulated in equity under the heading of "exchange difference on translation of financial statements of foreign operations".

On the disposal of a foreign operation involving loss of control over a subsidiary that includes a foreign operation, the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

HUMAN RESOURCES

As at 31 December 2017, other than outsourcing vendors but including contract workers, the Group has 169 employees (2016: 150) in Hong Kong and the Mainland China. Total staff costs excluding contract workers, amounted to HK$68.2 million (2016: HK$50.2 million) for the year ended 31 December 2017. 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.

HEDGING, ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

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

As at 31 December 2017, contingent liabilities of the Group amounted to HK$11.5 million (2016: HK$10.8 million), arising from the contingent consideration payables to the vendor on acquisition.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: nil).

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.

CORPORATE GOVERNANCE

Throughout the year under review, the Company has complied with the code provisions (the "Code") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules on the Stock Exchange, except Codes E.1.2 and A.6.7.

Code E.1.2 – The chairman of the Company (the "Chairman") was unable to attend the annual general meeting of the Company held on 23 May 2017 ("2017 AGM") due to other business matters overseas. The Executive Director and chief executive officer of the Group chaired the 2017 AGM on behalf of the Chairman pursuant to the Company's Bye-laws and was available to answer questions. The chairman of audit committee and chairman of remuneration committee of the Company also attended the 2017 AGM and were available to answer questions.

Code A.6.7 – Given that the independent non-executive directors and other non-executive directors should attend general meetings. Due to other pre-arranged business commitments which had to be attended, two Non-executive Directors and one Independent Non-executive Director were absent from the special general meeting of the Company held on 27 February 2017; and one Non-Executive Director and one Independent Non-executive Director were absent from the 2017 AGM. However, the other Executive Directors and Independent Non-executive Directors had attended the general meetings to ensure effective communication with the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and senior management of the Company. Having made specific enquiries to all the Directors, who confirmed their compliance with the required standards as set out in the Model Code for the year ended 31 December 2017.

AUDIT COMMITTEE

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

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures as set out in this announcement in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 have been agreed by the auditor of the Company, Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the consolidated financial statements of the Company for the year. The work performed by Deloitte in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Deloitte on this announcement.

ENTITLEMENT TO ATTEND AND VOTE AT THE 2018 AGM

The annual general meeting of the Company (the "2018 AGM") will be held on Wednesday, 30 May 2018. The register of members of the Company will be closed from Thursday, 24 May 2018 to Wednesday, 30 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2018 AGM, all share certificates with completed transfer documents must be lodged with the Branch Share Registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 2:30 p.m. on Wednesday, 23 May 2018. The notice of the 2018 AGM will be published on the websites of the Company (www.dtxs.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

2017 ANNUAL REPORT

The 2017 annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (www.dtxs.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

CHANGE OF REMUNERATION COMMITTEE MEMBERS

The Board announces that Mr. Lai Kim Fung, an Executive Director and the chief executive officer of the Company, has been appointed as a member of the Company's Remuneration Committee in place of Mr. Wong Kwok Tung Gordon, an Executive Director and the deputy chief executive officer of the Company, with effect from 28 March 2018.

By Order of the Board
DTXS Silk Road Investment Holdings Company Limited
Lu Jianzhong
Chairman

Hong Kong, 28 March 2018

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