大唐西市
DA TANG XI SHI

DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED

大唐西市絲路投資控股有限公司

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

ANNUAL REPORT 2017

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Directors
Mr. Wang Shi
Mr. Jean-Guy Carrier

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

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. Cheng Yuk Wo
Mr. Lai Kim Fung

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

Room 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

Jeffrey Mak Law Firm
Silkroad Law Firm
Appleby Spurling & Kempe

PRINCIPAL BANKERS

China Everbright Bank Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch

WEBSITE

www.dtxs.com

STOCK CODE

620

Dear Shareholders,

On behalf of the board of directors (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 2017.

FINANCIAL RESULTS

During the year under review, the Group recorded a total revenue of approximately HK$203,500,000 (2016: approximately HK$122,300,000). The net loss attributable to owners of the Company was approximately HK$63,900,000 (2016: loss of approximately HK$73,500,000). The Board does not recommend the payment of a dividend for the year ended 31 December 2017.

BUSINESS REVIEW

The year 2017 was a critical year for the Group to commence business transformation and achieve a new leap. In spite of the complex and challenging international and domestic macro-economic environment, the Group managed to achieve satisfying results by braving the wind and billows with the consolidated efforts of all concerned.

During the year, our auction company conducted 5 auctions in various scales in Beijing and Xian, and organised a first artworks auction in Hong Kong, mainly auctioning returned overseas artworks, antique buddhas as well as bronze mirrors, which the Company have gained certain recognition in the domestic and overseas artworks market and laid a sound foundation for the Group's artworks auction business in the future. During the year, m-Finance Group has enhanced the development of new products and has been awarded the titles of the "Best Forex Trading Solutions Provider – Asia" and the "Most Outstanding Trading Platform Provider 2017 – Hong Kong". Silk Road Online Limited has commenced operation in the second half of the year with its online platform undergoing trial operation, and has become the only procurement agency for inflight sales of a famous China airline. During the year, the Group has completed the acquisition of a vineyard in Bordeaux, France, the vintage 2013 of it has been awarded Gold Medal (Medaille d'Or) in the Concours Général Agricole Paris in 2015. The DTXS ACBD center in Hong Kong, which has hosted its grand opening on 1 September 2017, collaborated for the first time with Mr. Bai Ming (白明), a famous contemporary ceramic artist at the Academy of Arts and Design of Tsinghua University, Beijing. Furthermore, part of the non-core engineering services business was disposed. This year, the Company has been awarded the title of "The Most Potential Listed Company (最具潛力上市公司)" by China Financial Market.

FUTURE OUTLOOK

According to the report delivered at the 19th CPC National Congress, it is emphasised that a prosperous culture and a strong cultural self-confidence are prerequisites for the rejuvenation of the Chinese nation. The year 2018 is the kick-off year for the comprehensive implementation of the principles as established at the 19th CPC National Congress, and is also the 40th anniversary of reform and open policy as well as a critical year for developing into a moderately prosperous society and linking the past achievements and future development of the "Thirteenth Five-year Plan". At the same time, the strategic national policy of the "Belt and Road" positioned Xian at the forefront of the state's opening-up to the west. Located at the prosperous Guangdong – Hong Kong – Macau Greater Bay Area, Hong Kong will become a fast-growing economic region in the future with its huge economic volume, efficient business environment, embracive culture and sophisticated financial system.

The Company's controlling shareholder 大唐西市文化產業投資集團有限公司 ("DTXS Investment"), with its headquarter in Xian City, the People's Republic of China (the "PRC"), has been seizing the promising opportunities to achieve its transformation and upgrade; to improve its quality and effectiveness as well as to create a new chapter with reformation and development with a new spirit through fostering the wisdom and efforts of the team, strengthening its confidence for development, resolving difficulties in development and conducting solid work on various tasks. Currently, DTXS Investment is planning the implementation of various major cultural projects: firstly, the external expansion and exploration of Silk Road Cultural Street Phase 2 and Xi Shi Phase 3 projects as well as the active promotion of the "DTXS Silk Road Cultural Town" project; secondly, the construction of the Silk Road Cultural Park "One park, Two centers, Two headquarters, Five towns" with national brands; thirdly, the promotion of the development of non-state-owned museum business; and fourthly, the construction of Dijiang Pastoral Complex which is a convergence of various industries and the unique Han Tang herbal Chinese medicine industry.

The Group will also leverage on the development strategies of the DTXS Investment, and adhere to the great vision of building up a leading Silk Road cultural investment. Based on the requirement of quality development, the Group will enhance its governance, improve its quality and effectiveness, and continuously research into and explore an optimised strategic portfolio. Our auction company will continue to bring into play its strengths by emphasising the domestic and overseas integration, online and offline complementation as well as combining auction and finance. The DTXS ACBD center in Hong Kong will conduct different auctions, exhibitions, seminars and other cultural activities, so as to enable our guests to experience and enjoy the art world all year round. While enhancing the research and development of new systems, m-Finance Group will diversify its financial related services. Silk Road Online Limited will continue to focus on products featuring the "Belt and Road" markets, and establish, improve and optimise the online and offline cross-border trading platform for countries along the Silk Road. Save as the above existing businesses, the Group will also take the initiative to closely link up with the projects of DTXS Investment at Xian City and will consider the injection of quality cultural projects. At the same time, the Group will also further optimise its organisational and talent structure and strengthen its assessment, aiming at achieving its full-year performance target.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all the shareholders, partners and customers for their enduring support and trust for the Group. The contributions and support from the shareholders, partners, consumers, senior management and staff of the Group are the cornerstone and incentive for the continuous development of the Group.

Lu Jianzhong
Chairman

28 March 2018

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 Art Central Business District business ("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, a 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, 北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*) through relevant structured contracts. It is a Beijing based boutique auction house specialising in arts and collections auction business, in particular bronze mirrors and jadeware. During 2017, we held 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 in the arts and antique market, our overall auction 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 held 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 mostly from overseas returned collections focusing on ancient Chinese art pieces, in particular, bronze mirrors and antique buddha figures. The Hong Kong auction achieved remarkable results both in terms of items auctioned and total hammer price.

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 did not experience any bad debts during the year 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 our e-Commerce Division to incorporate an online art shop with a build-in function for online auction.

* *For identification purpose only*

On 11 July 2016, the Company completed the acquisition of 100% equity interests in China King Sing Lun Fung Auction Holdings Company Limited 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 audited 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. 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 two centers, we have been working closely with various 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 certain integrated functions there.

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 M-Finance 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 Mainland 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 in 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 partnered with a world class fintech, company, Tradency, which provides 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 were charged on a transactional volume/contract basis.

During the year, the Company, through an 85%-owned company, DTXS FinTech Limited, commenced 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 in second 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 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 were 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 amounts (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 is 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.

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 hailstorm 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 grapes. It is expected to produce around 90,000 bottles from this 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 Mainland 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 Georgia and Bulgaria to act as their representative in this region. We are making careful market assessment and feasibility studies as to the acceptability of such new world wines from consumer perspective, then decide on whether we will represent them as agent to this region.

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 distribute 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 Mainland 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 establishing 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 disposed of several subsidiaries which held the leasehold land in the Mainland China, and certain vessels 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 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 ourselves 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.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, the Company conducted an exercise based on an enterprise risk management framework, which was developed with the assistance of an international advisory firm in 2016, to review and update the risks facing by the Group. The Group's key risks and uncertainties are summarised as below:

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 plan 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 the management of the Company 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 internal control system of the Group.

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 the 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 (58.1%) and Renminbi (38.5%), 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) was 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 differences 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 had 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

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 2017 are set out in Note 36 to the consolidated financial statements.

DIRECTORS

Executive Directors

Mr. Lu Jianzhong ("Mr. Lu"), aged 54, was appointed as the Chairman and an Executive Director of the Company 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 (Da Tang Xi Shi Investments Group Limited*, "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. Yang Xingwen ("Mr. Yang"), aged 55, 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).

Mr. Lai Kim Fung ("Mr. Lai"), aged 51, was appointed as an Executive Director and the chief executive officer of the Company on 7 August 2017. Mr. Lai was appointed as a member of the remuneration committee of the Company on 28 March 2018. Mr. Lai holds postgraduate certificate in Professional Accounting from City University of Hong Kong and master of business administration from University of Exeter in the United Kingdom. He has over 28 years of professional experience with commercial and investment banking, corporate finance, treasury, merger and acquisition and investment management focusing on the Great China. He previously worked as a director and deputy general manager of a subsidiary of a renowned Chinese state-owned enterprise and various international banks. He also worked in another subsidiary of the same Chinese state-owned enterprise in the United States of America for three years. He is currently the founding member of China Mergers and Acquisitions Association (Hong Kong) Limited.

Mr. Wong Kwok Tung Gordon ("Mr. Wong"), aged 43, was appointed as an Executive Director and the chief executive officer of the Company on 29 July 2015 and 2 November 2015 respectively. He was subsequently re-designated from the chief executive officer to the deputy chief executive officer of the Company on 7 August 2017. He was a member of the remuneration committee of the Company during the period from 2 November 2015 to 28 March 2018. Mr. Wong is a director of Da Tang Xi Shi International Holdings Limited, immediate controlling shareholder of the Company. 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.

* *For identification purpose only*

Biographical Details of Directors and Senior Management

Non-executive Directors

Mr. Wang Shi ("Mr. Wang"), aged 69, 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 Chinese Academy of Governance (formerly known as 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 (魯迅與他的小說), 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 72, 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 Renmin University of China in Beijing (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.

Independent Non-executive Directors

Mr. Cheng Yuk Wo ("Mr. Cheng"), aged 57, 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 Swiss Bank Corporation (now known as UBS AG) in Toronto.

Mr. Cheng is also an independent non-executive director of each 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), Kidsland International Holdings Limited (stock code: 2122) (appointed on 20 October 2017), 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). Mr. Cheng was formerly an independent non-executive director of Imagi International Holdings Limited (stock code: 585) from July 2010 to January 2016. All of these companies are listed in Hong Kong.

Ms. Fan Chiu Fun, Fanny ("Ms. Fan"), aged 65, 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 an Honours degree in Science. She received a Master degree in Public Administration from Harvard University and was named a Littauer Fellow. She also has a Master degree in Education from The Chinese University of Hong Kong. Prior to her retirement from the civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years in the civil service, Ms. Fan has 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 the Hong Kong SAR, a director of the Fan Family Charitable Trust Fund, 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), Minmetals Land Limited (stock code: 230) (with effect from 1 April 2018) 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 68, 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 (the "Stock Exchange") 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. (stock code: 517), Kangda International Environmental Company Limited (stock code: 6136), Pacific Online Limited (stock code: 543), Summit Ascent Holdings Limited (stock code: 102), all of which are listed in Hong Kong and Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited) (stock code: MLCO), a company listed on NASDAQ and an independent director of Melco Resorts and Entertainment (Philippines) Corporation (formerly known as Melco Crown (Philippines) Resorts Corporation) (stock code: MRP), a company listed in Philippines, and 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. Mr. Tsui was formerly an independent non-executive director of China Oilfield Services Limited (stock code: 2883) from June 2009 to June 2015 and China Power International Development Limited (stock code: 2380) from March 2004 to December 2016, both companies are listed in Hong Kong.

Biographical Details of Directors and Senior Management

Mr. Tse Yung Hoi ("Mr. Tse"), aged 65, was appointed as a Non-executive Director of the Company on 8 December 2015 and was re-designated to an Independent Non-executive Director of the Company on 16 November 2017. Mr. Tse graduated from English studies from the department of foreign language of Fudan University in July 1975. He is currently the chairman 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, Hong Kong and Permanent Honorary President of Chinese Securities Association of Hong Kong. Mr. Tse is also the independent non-executive director of BOCOM International Holdings Company Limited (stock code: 3329), Guoan International Limited (formerly known as Global Tech (Holdings) Limited) (stock code: 143), HJ Capital (International) Holdings Company Limited (formerly known as iOne Holdings Limited) (stock code: 982) and Vico International Holdings Limited (stock code: 1621) (listed on the Stock Exchange in March 2018), all companies are listed in Hong Kong. He also serves as an independent non-executive director of Shenzhen Qianhai Financial Holdings Company Ltd. He was an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993), which is listed in Hong Kong, from 23 October 2015 to 13 June 2016 and 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.

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.

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 2017.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) arts and collections related business; (ii) auction business; (iii) operation of vineyard, production and sales of wine and related business; (iv) financial e-commerce business; (v) trading of merchandise; and (vi) 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 40 to the consolidated financial statements.

BUSINESS REVIEW

A fair 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, principal risks and uncertainties that the Group may be facing, and important events affecting the Company occurred since the end of 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 12 of this annual report. These discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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.

Discussions on the Group's environmental policies and performance during the financial year are set out in the section headed "Environmental, Social and Governance Report" on pages 38 to 43 of this annual report. These discussions form part of this Directors' Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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.

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.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 49 to 133 of the annual report.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's five largest customers in aggregate was 48% (2016: 73%) of the total revenue of the Group and the largest customer included therein amounted to 23% (2016: 23%).

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate was 35% (2016: 49%) of the total purchases of the Group and the largest supplier included therein amounted to 26% (2016: 12%).

During the financial year, none of the Directors, their close associates or any shareholders of the Company (the "Shareholders") (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) had 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 6 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/period is set out on page 134 of this annual report. The summary does not form part of the consolidated financial statements.

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 52 and 53 and Note 41 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 16 to 18 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. Yang Xingwen
Mr. Lai Kim Fung *(Chief Executive Officer) (Appointed on 7 August 2017)*
Mr. Wong Kwok Tung Gordon *(Deputy Chief Executive Officer)*

Non-executive Directors:

Mr. Wang Shi
Mr. Jean-Guy Carrier

Independent Non-executive Directors:

Mr. Cheng Yuk Wo
Ms. Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec
Mr. Tse Yung Hoi *(re-designated from Non-executive Director to Independent Non-executive Director on 16 November 2017)*

Biographical details of the Directors as of the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 16 of this annual report.

In accordance with bye-laws 99(A) and 182(vi) of the Company's bye-laws, Mr. Wang Shi, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "2018 AGM").

In accordance with bye-law 102(B) of the Company's bye-laws, Mr. Lai Kim Fung will retire at the 2018 AGM and, being eligible, and will offer himself for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Company considers that all the Independent Non-executive Directors (including Mr. Tse Yung Hoi who had served as a Non-executive Director of the Company prior to his re-designation as an Independent Non-executive Director of the Company on 16 November 2017) to be independent. Further information relating to the re-designation and re-election of Mr. Tse as an Independent Non-executive Director of the Company is set out in the section headed "Corporate Governance Report" on pages 28 to 37 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2018 AGM has a 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 and Officers liability insurance that provides appropriate cover for the Directors and officers of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Related Party Transactions" in Note 37 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity has or had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the financial year.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares and underlying Shares" and "Share Option Scheme", 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to 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 recorded into the register kept 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

	Number of ordinary Shares of HK$0.50 each and nature of interests		Number of share options[2]		
Name of Director	Personal interests	Corporate interests	Personal interests	Total interests	Approximate percentage of shareholding[3]
Mr. Lu Jianzhong	350,000	376,700,736[1]	3,500,000	380,550,736	68.55%
Mr. Yang Xingwen	–	–	2,500,000	2,500,000	0.45%
Mr. Lai Kim Fung	–	–	3,000,000	3,000,000	0.54%
Mr. Wong Kwok Tung Gordon	–	–	2,500,000	2,500,000	0.45%
Mr. Wang Shi	–	–	250,000	250,000	0.05%
Mr. Jean-Guy Carrier	–	–	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%
Mr. Tse Yung Hoi	–	–	250,000	250,000	0.05%

Notes:

1. 376,700,736 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 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 376,700,736 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 555,137,692 as at 31 December 2017.

(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 Jianzhong	110,000,000	50.60%
Mr. Yang Xingwen	30,000,000	13.80%

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executives of the Company and any of their associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been 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 2017, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interests/ capacity	Number of ordinary Shares of HK$0.50 each (Long Position)	Approximate percentage of shareholding[(3)]
Da Tang	Beneficial owner	376,700,736[(1)]	67.86%
Da Tang Xi Shi International Group Limited	Interests in controlled corporation	376,700,736[(1)]	67.86%
DTXS Investment	Interests in controlled corporation	376,700,736[(1)]	67.86%
Ms. Zhu Ronghua	Interests of spouse	380,550,736[(2)]	68.55%

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 380,550,736 Shares through the interests held by her spouse, Mr. Lu Jianzhong.

3. The total number of issued Shares was 555,137,692 as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders 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 as at 6 December 2012, the date on which an ordinary resolution was passed by the Shareholders to approve the 2012 Scheme. The 2012 Scheme Mandate Limit was refreshed and increased to 55,513,769 Shares, representing approximately 10% of the issued Shares as at 23 May 2017, the date on which an ordinary resolution was passed by the Shareholders to approve the refreshment of the 2012 Scheme Mandate Limit. As at the date of this report, a total of 33,063,769 Shares were available for issue under the 2012 Scheme, which represented approximately 5.95% 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 sets out the movements of the number of share options granted under the 2012 Scheme during the year ended 31 December 2017 and the outstanding share options at the beginning and end of the year:

				Number of share options				
Eligible participants	Date of grant	Exercise price per Share *(HK$)*	Exercise Period[2]	At 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2017
(a) Directors								
Mr. Lu Jianzhong	28/01/2016	3.000	28/01/2017 to 27/01/2026	3,500,000	–	–	–	3,500,000
Mr. Yang Xingwen	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	–	–	–	2,500,000
Mr. Lai Kim Fung	04/09/2017	4.814	04/09/2018 to 03/09/2027	–	3,000,000	–	–	3,000,000
Mr. Wong Kwok Tung Gordon	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	–	–	–	2,500,000
Mr. Wang Shi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	–	–	–	250,000
Mr. Jean-Guy Carrier	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	–	–	–	250,000
Mr. Cheng Yuk Wo	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	–	–	–	250,000
Ms. Fan Chiu Fun, Fanny	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	–	–	–	250,000
Mr. Tsui Yiu Wa, Alec	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	–	–	–	250,000
Mr. Tse Yung Hoi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	–	–	–	250,000
Sub-total				10,000,000	3,000,000	–	–	13,000,000
(b) Employees in aggregate	28/01/2016	3.000	28/01/2017 to 27/01/2026	4,000,000	–	–	200,000	3,800,000
	21/12/2016	3.710	21/12/2017 to 20/12/2026	5,850,000	–	–	1,700,000	4,150,000
Sub-total				9,850,000	–	–	1,900,000	7,950,000
(c) Other eligible participants in aggregate	28/01/2016	3.000	28/01/2017 to 27/01/2026	1,500,000	–	–	–	1,500,000
	21/12/2016	3.710	21/12/2017 to 20/12/2026	150,000	–	–	–	150,000
Sub-total				1,650,000	–	–	–	1,650,000
Total				21,500,000	3,000,000	–	1,900,000	22,600,000

Notes:

1. The closing price per Share immediately before 4 September 2017 (the date on which the share options were granted) was HK$4.75.

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" and the consideration paid by each grantee for each grant of options was HK$1.00:

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

Details of value of share options granted during the financial year are set out in Note 31 to the consolidated financial statements.

CONNECTED TRANSACTION

The following transaction constituted a connected transaction of the Company under the Listing Rules during the financial year ended 31 December 2017 and up to the date of this annual report:

On 16 January 2017, DTXS Art & Cultural CBD Co Ltd, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Da Tang, which is indirectly wholly-owned by DTXS Investment, which is owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen, in respect of the acquisition ("Acquisition") of (i) 100% of the equity interest of Best Merit Global Limited ("Best Merit"), a wholly-owned subsidiary of Da Tang, which by then held 325,680,424 Shares, representing approximately by then 64.60% of the entire issued share capital of the Company and (ii) the property interests of the target arts and cultural collectibles owned by Da Tang at the total consideration of HK$163,265,000 which was settled by the allotment and issuance of 51,020,312 new Shares at HK$3.20 each.

Best Merit is a wholly-owned subsidiary of Da Tang. Accordingly, Da Tang is therefore regarded as a connected person of the Company. As one or more applicable ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25% and the total consideration is more than HK$10,000,000, the Acquisition constitutes (i) a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 27 February 2017, the Acquisition was approved by independent Shareholders in the special general meeting of the Company and was completed on 1 March 2017.

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 are no provisions for pre-emptive rights under the Company's bye-laws and 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 report, the Company has maintained the prescribed public float of not less than 25% of the issued Shares as required under the Listing Rules.

AUDITOR

On 18 July 2016, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), 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.

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by Deloitte, who will retire and offer themselves for re-appointment at the 2018 AGM.

On behalf of the Board

Lu Jianzhong
Chairman

Hong Kong, 28 March 2018

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 applied the principles and complied with the code provisions (the "Code") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2017, save for certain deviations from the relevant Codes E.1.2 and A.6.7 listed below.

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 of 2017.

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.

THE BOARD

Board Composition

The Board has a balanced composition of executive and non-executive Directors. As at the date of this annual report, the Board comprises ten Directors, comprising four Executive Directors, two Non-executive Directors and four Independent Non-executive Directors, as follows:

Executive Directors:
Mr. Lu Jianzhong *(Chairman)*
Mr. Yang Xingwen
Mr. Lai Kim Fung *(Chief Executive Officer) (Appointed on 7 August 2017)*
Mr. Wong Kwok Tung Gordon *(Deputy Chief Executive Officer)*

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

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Ms. Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec
Mr. Tse Yung Hoi *(Re-designated from Non-executive Director to Independent Non-executive Director on 16 November 2017)*

The biographical information of all Directors as of the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 16 of this annual report. The list of Directors and their role and function is also disclosed in the websites of the Company and the Stock Exchange. None of the members of the Board is related to one another.

Chairman, Chief Executive Officer and Deputy Chief Executive Officer

The positions of the Chairman, chief executive officer and deputy chief executive officer of the Company are separately held by Mr. Lu Jianzhong, Mr. Lai Kim Fung and Mr. Wong Kwok Tung Gordon respectively.

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, together with the deputy chief executive officer, are 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 with 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. Due to Mr. Lai Kim Fung's appointment as Executive Director of the Company on 7 August 2017, the number of Independent Non-executive Directors fell below representing at least one-third of the Board under Rule 3.10A of the Listing Rules. On 16 November 2017, Mr. Tse Yung Hoi ("Mr. Tse") was re-designated as Independent Non-executive Director of the Company, since then, the Company has fulfilled the requirement of number of independent non-executive directors representing more than one-third of the Board under Rule 3.10A of the Listing Rules. The Board consists of four Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

By taking into account the opinion and recommendation of the Nomination Committee of the Company, the Board was of the view that Mr. Tse meets the criteria of independence expected of an independent non-executive director under the Listing Rules and has the character, integrity, independence and experience required to fulfil and discharge the roles and duties of an Independent Non-executive Director of the Company. Mr. Tse should be regarded as independent and having satisfied the independence guidelines set out in Rule 3.13 of the Listing Rules, and therefore the Board approved the re-designation of Mr. Tse as an Independent Non-executive Director of the Company with effect from 16 November 2017. Mr. Tse had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that Mr. Tse remains independent, and there is no evidence that his tenure has had an impact on his independence and recommended the re-election of Mr. Tse as an Independent Non-executive Director of the Company at the 2018 AGM.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors of the Company 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 appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, 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 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 Company's bye-laws, Mr. Wang Shi, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi will retire from office by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

Mr. Lai Kim Fung was appointed by the Board on 7 August 2017. Pursuant to the bye-law 102(B) of the Company's bye-laws, his appointment is subject to rotation and re-election by Shareholders at the 2018 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' Induction and 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 financial year, all Directors, namely Mr. Lu Jianzhong, Mr. Yang Xingwen, Mr. Lai Kim Fung, Mr. Wong Kwok Tung Gordon, Mr. Wang Shi, Mr. Jean-Guy Carrier, Mr. Cheng Yuk Wo, Ms. Fan Chiu Fun, Fanny, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi, have 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 proper delegation of its powers and has established three board committees, namely Audit Committee, Remuneration Committee and Nomination Committee (collectively "Board Committees"), for overseeing particular aspects of the Company's affairs. Board Committees are established with defined written terms of reference which deal clearly with their authorities and duties and are published on the websites of the Company and the Stock Exchange. During the financial year, an ad hoc independent board committee of the Company was established for advising on a connected transaction.

Audit Committee

The Audit Committee has been established by the Board and comprises three members who are all Independent Non-executive Directors. Mr. Cheng Yuk Wo is the chairman and Ms. Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec are members.

The Board has revised and adopted the terms of reference of the Audit Committee which are in line with the Code as set out in the CG Code. The role and function of the Audit Committee are set out in its revised terms of reference which are posted on the websites of the Company and the Stock Exchange. 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 three meetings during the financial year. The Audit Committee made recommendations to the Board for re-appointment of the external auditor; reviewed the audit plan; reviewed and considered the reports from the external auditor; reviewed the Company's audited consolidated financial statements for the year ended 31 December 2016 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 with recommendations to the Board for approval; reviewed internal control system of the Group and discussed with the management and external auditor on any changes in accounting policies and practices which may affect the Group and financial reporting matters; reviewed the framework and policy of risk management and internal control systems.

Remuneration Committee

The Remuneration Committee has been established by the Board and comprises three members with a majority of Independent Non-executive Directors. During the year, Mr. Tsui Yiu Wa, Alec is the chairman and Mr. Wong Kwok Tung Gordon and Mr. Cheng Yuk Wo are members. Mr. Lai Kim Fung, Executive Director and chief executive officer of the Company, was appointed as a member of the Remuneration Committee in place of Mr. Wong Kwok Tung Gordon, Executive Director and deputy chief executive officer of the Company with effect from 28 March 2018.

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 role and function of the Remuneration Committee are set out in its revised terms of reference which are posted on the websites of the Company and the Stock Exchange. 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 package of Directors, subject to approval of Shareholders at the annual general meeting, 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 are set out in Note 12 to the consolidated financial statements. In addition, written resolutions were passed by all members of the Remuneration Committee and recommendations were made to the Board as and when needed.

Nomination Committee

The Nomination Committee has been established by the Board and comprises three members with a majority of Independent Non-executive Directors. Mr. Lu Jianzhong was appointed as the chairman in place of Mr. Wong Kwok Tung Gordon with effect from 30 March 2017. Mr. Cheng Yuk Wo and Mr. Tsui Yiu Wa, Alec are members.

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 role and function of the Nomination Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange. 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.

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 Board diversity policy; to assess the independence of the Independent Non-executive Directors; to consider the qualifications of the retiring Directors standing for election at the annual general meeting held on 23 May 2017; and to propose and make recommendation to the Board for appointment of Mr. Lu Jianzhong as the chairman of the Nomination Committee in place of Mr. Wong Kwok Tung Gordon in order to strictly comply with the Code A.5.1. In addition, written resolutions were passed by all members of the Nomination Committee and recommendations were made to the Board as and when needed. During the financial year, Mr. Lai Kim Fung was nominated as an Executive Director of the Company and his appointment was recommended to the Board. The Nomination Committee recommended to the Board that the re-designation of Mr. Tse as an Independent Non-executive Director in order to enable the Company to re-comply with the requirement that the number of independent non-executive directors should represent more than one-third of the Board as set out in Rule 3.10A of the Listing Rules. The Nomination Committee considered that other than being a Non-executive Director of the Company immediately prior to his re-designation, Mr. Tse should be regarded as having satisfied the independence guidelines set out in Rule 3.13 of Listing Rules. During Mr. Tse's tenure as Non-executive Director of the Company, Mr. Tse did not take part in any managerial or other operations of the Company; he has acted throughout as if he was Independent Non-executive Director of the Company; and he did advise on Board matters from an Independent Non-executive Director's perspective.

The Board has adopted the Board diversity policy on 25 March 2014. Composition of the Board will be based on a range of diversity perspective, including but not limited to gender, age, cultural and educational background, knowledge and skills, professional experience, length of service, independence and other qualities of the members of the Board. The Company maintains that appointments of the Board should be based on merit while having due regard to the diversity and overall effective function of the Board as a whole. The Nomination Committee shall review the candidate profile and then submit a recommendation to the Board for consideration after taking into account all the requirements set out above and all other applicable factors relevant to the Company.

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 disclosures in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEES MEMBERS

During the financial year, the Board held four meetings. With regards to general meetings, the Company held a special general meeting on 27 February 2017 and an annual general meeting on 23 May 2017. 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/No. of Meetings entitled to attend				
Name of Director	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**General Meeting**
Executive Directors					
Mr. Lu Jianzhong *(Chairman)*	2/4	N/A	N/A	N/A	0/2
Mr. Yang Xingwen	4/4	N/A	N/A	N/A	0/2
Mr. Lai Kim Fung(1) *(Chief Executive Officer)*	3/3	N/A	N/A	N/A	N/A
Mr. Wong Kwok Tung Gordon *(Deputy Chief Executive Officer)*	4/4	N/A	1/1	1/1	2/2
Non-executive Directors					
Mr. Wang Shi	0/4	N/A	N/A	N/A	0/2
Mr. Jean-Guy Carrier	4/4	N/A	N/A	N/A	1/2
Independent Non-executive Directors					
Mr. Cheng Yuk Wo	4/4	3/3	1/1	1/1	2/2
Ms. Fan Chiu Fun, Fanny	4/4	3/3	N/A	N/A	0/2
Mr. Tsui Yiu Wa, Alec	3/4	3/3	1/1	1/1	2/2
Mr. Tse Yung Hoi(2)	4/4	N/A	N/A	N/A	2/2

Notes:

1. Appointed as an Executive Director on 7 August 2017.

2. Re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 16 November 2017.

COMPANY SECRETARY

The Company Secretary of the Company is responsible for facilitating the Board processes, ensuring the Board procedures are followed and Board activities are efficiently and effectively conducted, as well as ensuring good information flow among Board members with management and Shareholders.

Mr. Hon Ping Cho Terence is the Company Secretary of the Company. 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 are set out in the section headed "Biographical Details of Directors and Senior Management" on page 16 of this annual report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders on assessment of the Company's performance, financial position and prospects.

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 2017. 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 Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment, and had prepared the financial statements 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 44 to 48 of this annual report.

Auditor's Remuneration

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). 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	1,630
Risk management and internal control review, interim financial review and financial advisory services	901

Risk Management and Internal Control

The Directors acknowledge their responsibilities to evaluate and determine 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.

The Group has engaged an international advisory firm in performing annually internal control review on internal control system of the Group. 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 considered that the Group's risk management and internal control systems were effectively implemented for the Group as a whole during the financial year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company places a great deal of importance on timely, accurate and transparent communication with Shareholders and the investment community. The Board has adopted a Shareholders communication policy which is posted on the Company's website and provides a framework to maintain direct, open and timely communication with Shareholders. The Company shall ensure effective and timely dissemination of relevant information at all times.

The Company considers that effective communication with Shareholders and the 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.

In addition, the Company maintains a website at www.dtxs.com as a communication platform with Shareholders and investors, where the Group's financial reports (interim and annual reports), notices of general meetings, circulars, announcements, press releases and other business information are available for public access.

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 the 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 any general meeting pursuant to bye-law 103 of the Company's 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 Company's 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 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 general meetings of the Company.

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 requisitionist(s)); 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 requisitionist(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.

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company has complied with the Codes, except Codes E.1.2 and A.6.7.

Code E.1.2 – 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 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.

Environmental, Social and Governance Report

This is the second Environmental, Social and Governance ("ESG") Report ("ESG Report", or the "Report") presented by the Company ("DTXS") and M-Finance Limited ("m-Finance") and their subsidiaries (referring both companies as the "Group") which focuses on aspects that have been identified as material to the Group's business and its key stakeholders. This Report outlines the Group's philosophy and its actions on corporate social responsibility ("CSR"), which the Group regards as an important value to its business operations.

The Group affirmed its commitment towards sustainable development with the publication of its financial year 2017 ("FY 2017") in accordance to the "ESG Reporting Guide" set out in Appendix 27 of the Listing Rules. The Report provides a holistic overview of the Group's sustainability performance and corporate social responsibility between 1 January 2017 and 31 December 2017 ("the reporting period"), which aligns with the financial year as reported in this annual report.

SCOPE OF THIS REPORT

The Report covers the Head Office of DTXS, which provides back-end office operations for its business, such as human resources and administration, finance and information technology, as well as the executive office. For the current reporting period, the scope is expanded to include its Fintech Division, m-Finance. However, this Report does not cover the relevant information with regards to the business from the Engineering Services Division and the Arts and Cultural Division. The scope is decided based on the greatest potential for managing the environmental and social impacts of the Group's operations in a holistic manner.

CONTENT OF THIS REPORT

The content of the Report is prepared based on the material and relevant environmental and social aspects of the Group. The Group has gathered all relevant data and information from the best of the Group's knowledge, in good faith and due care. The data measurement techniques and calculation methods used for this Report are stated where appropriate. Data and information from prior year are shown where appropriate.

ENVIRONMENTAL

The Group has recognised that corporates play a vital role in combating climate change, thus we are committed to reduce the negative impact to our planet by conducting the business and operations in an environmental responsible manner.

Emissions

Greenhouse gas (GHG) emissions are categorised into the following three 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

The Group's environmental footprint mainly comprised of GHG emissions from electricity consumption (Scope 2), office paper usage, water consumption and business air travel (Scope 3). Because the Group mainly conducts back-end office operations, the Group did not result in significant GHG emissions in regards to waste discharges into water and land, or generation of hazardous and non-hazardous wastes.

The emission breakdowns of both DTXS and m-Finance are stipulated below:

	DTXS			
	FY2017 data (in tons of CO_2-equivalent)	**Percentage**	FY2016 data (in tons of CO_2-equivalent)	Percentage
Scope 1:				
• N/A	–	–	–	–
Total	–	–	–	–
Scope 2:				
• Electricity Consumption	**15.39**	**51.90%**	11.16	60.39%
Total	**15.39**	**51.90%**	11.16	60.39%
Scope 3:				
• Office Paper Usage	**1.75**	**5.90%**	0.54	2.92%
• Use of Fresh Water*	**0.01**	**0.04%**	0.01	0.06%
• Business Air Travel	**12.50**	**42.16%**	6.77	36.63%
Total	**14.26**	**48.10%**	7.32	39.61%
Grand Total	**29.65**	**100%**	18.48	100%

During the reporting period, DTXS's total GHG emissions was 29.65 tons of CO_2 equivalent ("CO_2e"), in which electricity accounted for 51.90% of the total emissions (19,479 kWh recorded). 42.16% of GHG emissions derived from employees' business travel also contributed to the overall emissions.

* Use of Fresh Water for DTXS during the reporting period: 29m^3

The total emissions figure was higher than last year (FY2017: 29.65 tons of CO_2e; FY2016: 18.48 tons of CO_2e), while the average GHG emissions per employee also saw a marginal rise (FY2017: 1.29 tons of CO_2e; FY2016: 1.15 tons of CO_2e). The rise of emissions was due to the increase of electricity usage for the office expansion of DTXS at 26/F, Bank of America Tower office, as well as the hiring of more employees during the year (FY2017: 23 employees; FY2016: 16 employees).

	m-Finance	
	FY 2017 data (in tons of CO_2-equivalent)	Percentage
Scope 1:		
• N/A	–	–
Total	–	–
Scope 2:		
• Electricity Consumption	60.22	88.93%
Total	60.22	88.93%
Scope 3:		
• Office Paper Usage	0.69	1.02%
• Use of Fresh Water#	N/A	N/A
• Business Air Travel	6.81	10.05%
Total	7.50	11.07%
Grand Total	67.72	100%

During the reporting period, m-Finance's total GHG emissions was 67.72 tons of CO_2e, in which electricity usage (76,230 kWh), mainly derived from information technology ("IT") operations, accounted for 88.93% of the total emissions. The average GHG emissions per employee was 1.69 tons of CO_2e.

Fresh water usage for m-Finance during the reporting period was shared by tenants, and the data are managed by the property management of the building. As such, m-Finance was not charged during the year.

As a Group, we will continue to maintain close monitoring to mitigate our emissions by taking effective measures to minimise the usage of resources.

Carbon Reduction Measures

The Group's carbon reduction measures mainly address its consumption of electricity and water from our office operations. For electricity usage, the Group has installed high efficiency lighting lamps such as T5 and LED lightings. Furthermore, the human resources ("HR") department has posted notices next to air-conditioning and light switches, reminding the staff to switch off the appliances after use to reduce energy consumption. Moreover, DTXS also joined the Energy Saving Charter 2017, which pledged to maintain an average indoor temperature between 24-26°C during the summer months of June to September in 2017, switch off electronics when not in use and procure energy efficient appliances, and to engage employees to adopt the above energy saving practices.

In terms of water usage, signs are posted near faucets to remind staff to conserve water.

The Group also adopted a series of recycling practices to encourage employees to reduce waste and conserve resources, including office paper and single-use disposable items usage. For paper usage, the Company defaulted two-sided printing and photocopying, while reusing one sided copy paper from paper recycling tray. Furthermore, electronic internal memos are used instead of hardcopy memos. For single-use disposable items, recycling bins are clearly labeled for paper, plastics, and metals, which help foster staffs' awareness on recycling and waste separation. Overall, environmentally responsible habits and the "use less" concept are continuously promoted to all levels of staff. Since both DTXS and m-Finance do not produce any physical products, packaging materials for finished products are not used.

To further enhance staff's awareness on environmental protection, the Group had joined the Food Grace Mooncake collection program to the staff, which encourages staff to take action and donates Mooncake rather than disposing it. In addition, the Group had joined the No Air Con Night 2017 Pledge, organised by Green Sense Hong Kong this year. Under this pledge, the Group and our staff were committed to turn off air-conditioning for a night, which helps lessen the GHG emissions from the refrigerants used for air-conditioning.

The Group is committed to make consistent effort to minimise the effect of our operations to the environment, and will continue to follow best practices in using resources efficiently in our offices whenever possible.

SOCIAL

The Group has acknowledged that the Company's success is largely reflective of our employee's contribution and efforts. We continue to strive to build a pleasant, motivating and value-adding work environment that will lead to an improved well-being for all employees.

Employment

The Group recognises that employees are important and valuable assets of the Company, thus attracting and retaining talent remained a high priority. In order to attract talents of diverse backgrounds, we maintain our belief as an equal-opportunity employer that all applicants and employees are judged based on their academic qualifications, personal achievements, and individual performance. Factors such race, gender, age, religious belief, marital status, sexual orientation, or other status protected by law, are not used and considered for recruitment selection or promotion opportunities.

To retain talent, the Group offers competitive remuneration packages and fringe benefits, corresponding to employees' experience, performance and job duties. All employees are entitled to equal opportunities and fair treatment for their career development. As this information are transparent, employees can refer to the Employment Handbook of their respective companies, which gives all employees information in regards to compensation, benefits, dismissal, working hours, rest days, leaves etc. The Group's employment contracts, policies and remuneration packages are in compliance with the required laws and regulations as stipulated under the Employment Ordinance of Hong Kong.

In parallel to career development, the Group encourages employees to maintain work-life balance. We organised numerous staff recreational activities, such as employee birthday lunches, annual Christmas party and charitable services, to help raise employees' moral, satisfaction and team spirit, while reducing employee's work pressure and cultivating teamwork among each other. We believe that having good staff relations and motivated workplace play a vital role in the Group's operation and team morality.

Health and Safety

The Group puts extra emphasis on the health and safety of our employees. We strictly abide by all relevant occupational and safety related laws and regulations, and are committed in providing a healthy and safe working environment for employees.

To ensure our employees are in healthy condition, we purchase employee compensation for all our employees, which includes a free annual medical checkup and dental insurance. We also make sure our employees are in a safe working environment. In order to raise employee awareness, responsiveness and self-protection abilities in case of emergency, the Group participates in fire/emergency drills organised by the property management office on a regular basis. As a safety precaution, the Group has purchased Fire and Office insurances for the organisation. Travelling insurance is also covered for employees who required business travelling.

With our efforts in ensuring employee's health and safety, the Group had recorded zero working injury and fatality cases for FY2017. We will continue to monitor and strengthen our efforts to protect employee's health and safety.

Development and Training

The Group values the importance of the growth and development of employees, recognising that the skill and quality of employees is an essential part for the Group's growth. In order to create a workplace that can develop the competency and foster growth for our employees, the Group provides trainings that enhance the competency and safety consciousness for the employees. We also sponsor our employees to take continuous professional development trainings provided by professional bodies.

Being an equal-opportunity employer, the Group had implemented a fair and open appraisal system to monitor and evaluate an employee's performance on an annual basis. The appraisal system can assist supervisors or department heads in making objective decisions on each employee's performance and promotion opportunities. Furthermore, it provides a good opportunity to strengthen communication between employees and supervisors to gather feedbacks, provide concrete suggestions for improvement, and discuss on career development and career aspirations.

Labor Standards

The Group strictly complies with the relevant labor legislation in Hong Kong. We recruit employees over 18 years old with valid residential identification. Any forms of child labor, illegal workers and/or forced labor are strictly prohibited in our business operations. Employees are provided with a workplace that is safe and healthy, creating a working environment with mutual respect, support and transparency. We have zero tolerance to any sort of discrimination or harassment behavior.

During the reporting period, the Group has not been notified of any violation of laws and regulations in regards to employee discrimination, anti-child-labor, and/or forced-labor.

Supply Chain Management

The Group's primary operation revolves around back-office works and general IT operations. Thus, the required supplies fall into several categories, including office supplies, IT, communications and utilities.

For the Group supply chain practice, once an employee wishes to order supplies, an evaluation will be made by the HR department to determine if it is necessary or not with the purchase order. While supplies are preferably purchased in Hong Kong and with certified with environmental labels (e.g. PEFC certified paper) whenever possible, the Group heavily promotes the re-use of supplies to minimise unnecessary purchasing and waste.

Employees dealing with suppliers and contractors are required to declare any conflict of interest, and communication channels are in place so that any concerns about suspected misconduct, malpractice or impropriety could be raised confidentially.

Product Responsibility

Head office of DTXS does not provide any products or services. m-Finance provides Forex / Bullion / Bulk Commodities Trading Solutions to external clients that fully complied with the regulations set by the Securities and Futures Commission of Hong Kong.

In order to maintain a safe internet trading platform for clients to conduct their trading, strict internal policies and procedures are in place to control client's data and privacy. However, due to confidentiality constraints, the policies and technical details to protect client's data and privacy cannot be disclosed.

Anti-Corruption

As a listed company in Hong Kong, DTXS has the responsibility to maintain the highest standards of integrity and ethical behavior. We strictly forbid any corruption or bribery behaviors in our business, while adhering to the provisions of the laws and regulations for our business activities. As a Group, we implemented anti-corrupting measure, which strictly prohibits any corruption and bribery activities. We have established a prevention system, which sets up a communication channels where employees can flag up any abnormal activities in the course of the business, for faults, and anti-corruption reporting.

To promote and educate a probity culture within the Group, we invited ICAC to host an anti-corruption legislation talk for our DTXS employees, whereas m-Finance staff will receive the same seminar in the upcoming year. In addition, relevant employees had participated in the Conference on Business Ethics for Listed Companies 2017 – Corporate Governance Compliance and Beyond hosted by the ICAC. Both events enhanced the employees' awareness against corruption, bribery, and unfair business activities. Employees can refer to the Employee Handbook for specified requirements of professional conduct that all employees are required to abide by at all times.

During FY2017, the Group did not receive any non-compliance with relevant laws and regulations in regards to anti-corruption.

Community

As a responsible corporation, the Group values giving back to the community, and has worked towards improving society through community action and donation. For FY2017, the Group had engaged in a charitable event organised by the Hong Kong Movie Star Sports Association Charities Limited, where our employee participants delivered rice and other essential supplies to poor and underprivileged elderly. The Group had also contributed in charitable donations to several different organisations, such as: Heifer International, The Community Chest of Hong Kong and Orbis Hong Kong.

Under such arrangement, the Group will continue to encourage employees to raise awareness and care for the people in need by participating in volunteer works, charitable events and donation, and showing additional attention, concerns and generosity to the underprivileged community in Hong Kong.

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 49 to 133, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), 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.

Key audit matter	How our audit addressed the key audit matter
Control over a significant subsidiary through structured arrangements	
We identified the control over a significant subsidiary (namely, Phoenixstar as defined in Note 1 to the consolidated financial statements) which is engaged in auction business through structured arrangements as a key audit matter due to the significant judgement exercised by the Group in the assessment of control under such arrangements 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 4 to the consolidated financial statements). Management's disclosures with regard to the judgement are contained in Note 4 to the consolidated financial statements.	Our procedures in relation to the assessment of control over Phoenixstar through structured arrangements 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 to review the legal opinion 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; • Assessing the competence, capability and independence of the company's legal counsel; and • Checking to documents including but not limited to resolution documents and approval records on significant matters 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Goodwill impairment assessment</td></tr>
<tr><td>We identified the valuation of goodwill arising from business acquisition in prior and 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 acquisitions amounting to HK$199,320,000 as disclosed in Note 18 to the consolidated financial statements.

As detailed in Notes 3 and 18 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 ("CGU") and a suitable discount rate in order to calculate the value in use.

The Group determined that there has been no impairment loss on goodwill for the year ended 31 December 2017.</td><td>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 an 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;

• Performing an independent assessment of the discount rate used in preparing the impairment testing model with the assistance of our internal fair value specialists;

• Challenging key assumptions, such as expected cash flow streams, discount rates and growth rates, underlying in the cash flow forecasts 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.</td></tr>
</table>

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 are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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
28 March 2018

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	5	**203,489**	122,307
Other income	7	**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	8(a)	**(68,181)**	(50,242)
Marine, construction and structural steel engineering costs	8(b)	**(71,842)**	(61,474)
Depreciation and amortisation expenses	8(c)	**(23,450)**	(14,113)
Other operating expenses	8(d)	**(52,845)**	(28,420)
Other gains and losses	9	**2,179**	14,293
Gain on disposal of subsidiaries	35	**5,504**	8
Loss from operations		**(55,837)**	(56,077)
Finance costs	10	**(845)**	(1,384)
Share of losses of joint ventures	20	**(1,907)**	(16,610)
Loss before taxation	8	**(58,589)**	(74,071)
Taxation	11	**(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	15		
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	*16*	**203,539**	42,700
Intangible assets	*17*	**128,221**	125,050
Goodwill	*18*	**199,320**	186,401
Prepaid lease payments	*19*	**–**	318
Interests in joint ventures	*20*	**–**	26,032
Other financial asset	*34(a)*	**–**	–
Loan receivables	*23*	**9,719**	–
		540,799	380,501
Current Assets			
Inventories	*21*	**45,912**	15,086
Prepaid lease payments	*19*	**–**	67
Trade and other receivables	*22*	**277,614**	99,814
Loan receivables	*23*	**7,593**	–
Amounts due from customers for contract work	*24*	**–**	9,584
Amount due from a joint venture	*25*	**–**	2,545
Tax recoverable		**30**	215
Bank balances and cash	*26*	**72,914**	271,909
		404,063	399,220
Current Liabilities			
Trade and other payables	*27*	**47,979**	59,791
Obligations under finance leases		**–**	67
Borrowings	*28*	**38,091**	17,583
Amount due to a joint venture	*25*	**–**	5,149
Tax liabilities		**6,664**	243
Contingent consideration payables	*36*	**4,000**	–
		96,734	82,833
Net Current Assets		**307,329**	316,387
Total Assets Less Current Liabilities		**848,128**	696,888

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and Reserves			
Share capital	*30*	**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	*29*	**28,856**	30,263
Contingent consideration payables	*36*	**7,492**	10,821
		36,348	41,084
		848,128	696,888

The consolidated financial statements on pages 49 to 133 were approved and authorised for issue by the board of directors on 28 March 2018 and were signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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 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	–	–	–	–	–	–	–	–	–	–	2,931	2,931
Shares issued for acquisition *(Note 34)*	14,741	85,791	–	–	–	–	–	–	–	100,532	–	100,532
Effects of share options *(Note 31)*	–	–	13,760	–	–	–	–	–	–	13,760	–	13,760
At 31 December 2016 and 1 January 2017	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
Loss for the year	–	–	–	–	–	–	–	–	(63,925)	(63,925)	(865)	(64,790)
Exchange fluctuation reserve released on disposal of subsidiaries *(Note 35)*	–	–	–	–	(3,884)	–	–	–	–	(3,884)	–	(3,884)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	29,659	–	–	–	–	29,659	1,130	30,789
Total comprehensive income (expense) for the year	–	–	–	–	25,775	–	–	–	(63,925)	(38,150)	265	(37,885)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	12,000	12,000
Revaluation reserve released on disposal subsidiaries *(Note 35)*	–	–	–	–	–	–	(2,281)	–	2,281	–	–	–
Shares issued for acquisition *(Note 34)*	25,510	141,836	–	–	–	–	–	–	–	167,346	–	167,346
Effects of share options *(Note 31)*	–	–	14,515	–	–	–	–	–	–	14,515	–	14,515
At 31 December 2017	277,569	1,022,986	28,275	1,264	16,009	1,054,095	3,293	5,223	(1,612,112)	796,602	15,178	811,780

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 18 of its subsidiaries and 6 of its former 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 recognised 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 issues 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 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before taxation		**(58,589)**	(74,071)
Adjustment for:			
Depreciation and amortisation expenses		**23,450**	14,113
Impairment loss on other receivables		**–**	47
Gain on disposal of subsidiaries		**(5,504)**	(8)
Loss on disposal of property, plant and equipment		**–**	1,263
Interest expenses		**845**	1,384
Interest income		**(315)**	(558)
Share of losses of joint ventures		**1,907**	16,610
Share-based payment expenses		**14,515**	13,760
Reversal of bad debt provision		**–**	(11,800)
Loss arising from changes in fair value of contingent consideration payables		**671**	–
Acquisition related cost	*34*	**4,000**	–
Unrealised exchange gain		**(2,850)**	–
Operating cash flows before movements in working capital		**(21,870)**	(39,260)
(Increase) Decrease in inventories		**(893)**	3,207
Increase in trade and other receivables		**(184,638)**	(11,009)
Decrease in amounts due from customers for contract work		**9,584**	553
Changes in balances with joint ventures		**(4,562)**	(1,777)
(Decrease) Increase in trade and other payables		**(6,910)**	16,347
Cash used in operations		**(209,289)**	(31,939)
Interest received		**315**	558
Income tax (paid) refunded		**(1,002)**	182
Net cash used in operating activities		**(209,976)**	(31,199)
Investing activities			
Payment for purchase of property, plant and equipment		**(17,860)**	(4,695)
Payment for purchase of intangible assets		**(7,755)**	(2,003)
Disposal of subsidiaries	*35*	**44,748**	(8)
Acquisition of subsidiaries	*34*	**(35,819)**	(197,784)
Repayment of loan receivables		**–**	948
Net cash used in investing activities		**(16,686)**	(203,542)

	2017 HK$'000	2016 HK$'000
Financing activities		
Capital contribution by non-controlling interests of subsidiaries	**8,000**	–
Advance from borrowings	**47,185**	17,533
Repayment of borrowings	**(27,402)**	(40,994)
Interest paid	**–**	(1,382)
Payment for capital element of finance lease obligations	**(67)**	(72)
Net cash from (used in) financing activities	**27,716**	(24,915)
Net decrease in cash and cash equivalents	**(198,946)**	(259,656)
Cash and cash equivalents at 1 January	**271,909**	531,896
Effect of foreign exchange rate changes	**(49)**	(331)
Cash and cash equivalents at 31 December, representing bank balances and cash	**72,914**	271,909

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. The principal activities of the Company's subsidiaries are disclosed in Note 40 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 consolidated financial statements, the ultimate holding company of the Company is 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*) ("DTXS Investment"), a private limited liability company incorporated in the People's Republic of China (the "PRC"). This entity does not produce financial statements available for public use.

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

Amendments to HKFRSs that are mandatorily effect for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 39. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 39, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Except as disclosed below, the application of the new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and positions and/or the disclosures when they became effective.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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.

- 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments (Continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Trade and other receivables, loan receivables, amount due from a joint venture and bank balances carried at amortised cost as disclosed in Notes 22, 23, 25 and 26 respectively. These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In the opinion of the Directors, based on the historical experience and existing business model of the Group, the future expected default rate in outstanding balances from debtors is low under the Group's credit management policy. Hence, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date.

It is also expected 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 2017.

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

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers (Continued)

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.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$30,675,000 as disclosed in Note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless the qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$4,462,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-Based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal to the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

When 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Change in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regard as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 are initially measured at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of the measurement basis is made on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a continent 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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties 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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of 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 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 the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint ventures *(Continued)*

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.

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 from subsidiaries of the Company with buyer and seller. Fintech services 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 apportionment 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

Where 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.

Where 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.

Where 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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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".

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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 accumulated losses).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

The freehold land has an unlimited useful life and therefore is not depreciated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

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.

3. 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 asses individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 (or a cash-generating unit) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). 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 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, loan receivables, bank balances and cash and amount due from a joint venture) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual 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 group entities 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, obligations under finance leases 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 are contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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 on-going 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 are the critical judgements, apart from those involving estimations (see below), that Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Structured Arrangements

The Group conducts a substantial portion of the business through Phoenixstar in the PRC due to the regulatory restrictions on auction business in the PRC. The Group does not have any equity interest in 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 2017.

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. Changes in market conditions or interpretations of the PRC laws and regulations in future may have a material impact on the assessment of control over Phoenixstar.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may 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 2017, the carrying amount of goodwill was HK$199,320,000 and no impairment loss has been recognised for the year ended 31 December 2017. Details of the impairment testing on goodwill are disclosed in Note 18.

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

Key sources of estimation uncertainty *(Continued)*

(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 amounts 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 16.

(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. The 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. Changes 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 16.

(d) Estimated impairment of trade and other receivables

When there is an 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 these receivables is set out in Note 22.

(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 reviews by the management of the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying values 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 has been recognised for the year ended 31 December 2017. The carrying amount of inventories is set out in Note 21.

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

Key sources of estimation uncertainty *(Continued)*

(f) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment 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 costs 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 costs of disposal, the estimated recoverable amounts of the assets may be different from its actual recoverable amounts and profit or loss could be affected by the accuracy of the estimations. Details of the carrying amounts of property, plant and equipment are set out in Note 16.

(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 will impact the income tax and deferred tax provisions in which such determination is made. Details of the carrying amounts of taxation and deferred tax liabilities are set out in Notes 11 and 29, respectively.

5. REVENUE

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

	2017 HK$'000	2016 HK$'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

6. 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 (Note 34), 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 described in Note 3. 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.

6. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2017:

	Arts and Cultural Division HK$'000	Fintech Division HK$'000	Winery Division HK$'000	e-Commerce Division HK$'000	Jewellery Division HK$'000	Engineering Services Division HK$'000	Consolidated 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 HK$'000	Fintech Division HK$'000	Winery Division HK$'000	e-Commerce Division HK$'000	Jewellery Division HK$'000	Engineering Services Division HK$'000	Consolidated 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.

6. SEGMENT INFORMATION *(Continued)*

(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 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'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 HK$'000	2016 HK$'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.

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income from bank deposits	**315**	558
Sundry income	**623**	720
	938	1,278

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2017 HK$'000	2016 HK$'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

9. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'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 gain (loss)	2,850	(1,650)
Loss arising from changes in fair value of contingent consideration payables *(Note 36)*	(671)	–
	2,179	14,293

Note: During the year ended 31 December 2016, the reversal of impairment loss was recognised upon settlement of other debts which were fully impaired in prior years. Further details are set out in Note 22(b).

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on loans *(Note 28)*	845	1,382
Finance charges on obligations under finance leases	–	2
	845	1,384

11. TAXATION

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong	5,068	–
PRC	2,540	–
	7,608	–
Deferred tax *(Note 29)*	(1,407)	(569)
	6,201	(569)

11. TAXATION *(Continued)*

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 year. 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 **HK$'000**	2016 HK$'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)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments of 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:

	2017					
	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	–	1,482	–	1,842
Yang Xingwen	–	360	–	1,059	–	1,419
Lai Kim Fung *(Note a)*	–	1,724	–	1,490	8	3,222
Wong Kwok Tung Gordon *(Note b)*	–	360	–	1,059	18	1,437
Non-executive Directors						
Wang Shi	360	–	–	106	–	466
Jean-Guy Carrier	360	–	–	106	–	466
Independent Non-executive Directors						
Cheng Yuk Wo	360	–	–	106	–	466
Fan Chiu Fun, Fanny	360	–	–	106	–	466
Tsui Yiu Wa, Alec	360	–	–	106	–	466
Tse Yung Hoi *(Note c)*	360	–	–	106	–	466
	2,160	2,804	–	5,726	26	10,716

Notes:

a. Mr. Lai Kim Fung has been appointed as an Executive Director and the chief executive officer of the Company with effect from 7 August 2017.

b. Mr. Wong Kwok Tung Gordon has been re-designated as the deputy chief executive officer of the Company with effect from 7 August 2017.

c. Mr. Tse Yung Hoi has been re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 16 November 2017.

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

	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

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

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

During the years ended 31 December 2017 and 2016, 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.

During the year ended 31 December 2017, a Director was granted share options for his service to the Group under the share option scheme of the Company, details of which are set out in Note 31.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one individual (2016: three) was Director and his emoluments are disclosed in Note 12. The emoluments in respect of the remaining four (2016: two) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	9,671	4,869
Retirement benefits scheme contributions	77	33
Share-based payments	5,397	2,190
	15,145	7,092

The emoluments of the top five highest paid individuals, including one (2016: three) Director, were within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	1	2
HK$3,000,001 – HK$3,500,000	2	–
HK$3,500,001 – HK$4,000,000	–	1
HK$4,000,001 – HK$4,500,000	2	–
HK$4,500,001 – HK$5,000,000	–	1
	5	5

14. DIVIDENDS

No dividend was paid, declared or proposed for the years ended 31 December 2017 and 2016, or up to the date of issuance of these financial statements.

15. 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 **HK$'000**	2016 HK$'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.

16. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying value

	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	Buildings HK$'000	Freehold land HK$'000	Bearer plants HK$'000	Total HK$'000
Cost or valuation										
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 and 1 January 2017	2,141	37,115	2,677	4,625	1,030	2,681	–	–	–	50,269
Representing:										
At 31 December 2016										
Cost	2,141	–	2,677	4,625	1,030	2,681	–	–	–	13,154
Valuation	–	37,115	–	–	–	–	–	–	–	37,115
	2,141	37,115	2,677	4,625	1,030	2,681	–	–	–	50,269
Additions	**4,517**	**4,653**	**3,349**	**8**	**–**	**5,333**	**–**	**–**	**–**	**17,860**
Transfer	**8,014**	**–**	**–**	**–**	**–**	**(8,014)**	**–**	**–**	**–**	**–**
Elimination of depreciation	**–**	**(3,829)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,829)**
Acquisition of subsidiaries *(Note 34)*	**–**	**–**	**–**	**2,136**	**–**	**–**	**162,644**	**1,077**	**5,825**	**171,682**
Disposal of subsidiaries *(Note 35)*	**(397)**	**(22,857)**	**(466)**	**(3,546)**	**–**	**–**	**–**	**–**	**–**	**(27,266)**
Disposal	**(450)**	**–**	**(232)**	**–**	**–**	**–**	**–**	**–**	**–**	**(682)**
Exchange realignments	**45**	**–**	**57**	**195**	**–**	**–**	**4,526**	**101**	**544**	**5,468**
At 31 December 2017	**13,870**	**15,082**	**5,385**	**3,418**	**1,030**	**–**	**167,170**	**1,178**	**6,369**	**213,502**
Representing:										
At 31 December 2017										
Cost	**13,870**	**–**	**5,385**	**3,418**	**1,030**	**–**	**167,170**	**1,178**	**6,369**	**198,420**
Valuation	**–**	**15,082**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,082**
	13,870	**15,082**	**5,385**	**3,418**	**1,030**	**–**	**167,170**	**1,178**	**6,369**	**213,502**
Accumulated depreciation and impairment										
At 1 January 2016	310	–	1,230	4,739	883	–	–	–	–	7,162
Provided 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 and 1 January 2017	**871**	**–**	**1,176**	**4,574**	**948**	**–**	**–**	**–**	**–**	**7,569**
Provided for the year	**1,850**	**6,555**	**1,015**	**105**	**65**	**–**	**3,939**	**–**	**156**	**13,685**
Elimination on revaluation	**–**	**(3,829)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,829)**
Elimination on disposal	**(450)**	**–**	**(232)**	**–**	**–**	**–**	**–**	**–**	**–**	**(682)**
Disposal of subsidiaries	**(320)**	**(2,726)**	**(372)**	**(3,484)**	**–**	**–**	**–**	**–**	**–**	**(6,902)**
Exchange realignments	**19**	**–**	**43**	**–**	**–**	**–**	**60**	**–**	**–**	**122**
At 31 December 2017	**1,970**	**–**	**1,630**	**1,195**	**1,013**	**–**	**3,999**	**–**	**156**	**9,963**
Carrying amount										
At 31 December 2017	**11,900**	**15,082**	**3,755**	**2,223**	**17**	**–**	**163,171**	**1,178**	**6,213**	**203,539**
At 31 December 2016	1,270	37,115	1,501	51	82	2,681	–	–	–	42,700

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

(a) Carrying value *(Continued)*

* 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, the carrying amount would have been HK$13,281,000 (2016: HK$35,314,000).

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
Buildings	2 - 10%
Furniture, fixtures and office equipment	10 - 33.3%
Plant, machinery and workshop equipment	10 - 25%
Motor vehicles	10 - 33.3%
Bearer Plants	2.5 - 6.67%

Freehold land carried at their cost less any subsequent accumulated impairment losses.

(b) Fair value measurement of floating craft and 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.

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

(b) Fair value measurement of floating craft and vessels *(Continued)*

Fair value hierarchy (Continued)

	Fair value at 31 December 2017 HK$'000	**Fair value measurements as at 31 December 2017 can be categorised at Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Floating craft and vessels held for own use – Hong Kong	**15,082**	**–**	**–**	**15,082**

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

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil).

All of the Group's floating craft and vessels held for own use were revalued as at 31 December 2017. 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.

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

(b) Fair value measurement of floating craft and vessels *(Continued)*

Fair value hierarchy (Continued)

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% (2016: 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 in the balance of these Level 3 fair value measurements are as follows:

	2017 HK$'000	2016 HK$'000
Floating craft and vessels held for own use – Hong Kong		
At 1 January	**37,115**	43,683
Additions	**4,653**	–
Decrease on disposal of subsidiaries *(Note 35)*	**(20,131)**	–
Depreciation charge for the year	**(6,555)**	(6,568)
At 31 December	**15,082**	37,115

17. INTANGIBLE ASSETS

	License HK$'000	Brands HK$'000	Customer relationship HK$'000	Developed technology HK$'000	Capitalised development costs HK$'000	Total HK$'000
Cost						
At 1 January 2016	–	–	–	–	–	–
Additions	–	–	–	–	2,003	2,003
Acquisitions through acquisition of subsidiaries *(Note 34)*	474	103,215	13,729	16,520	–	133,938
Exchange realignments	(20)	(4,053)	(580)	–	–	(4,653)
At 31 December 2016 and 1 January 2017	**454**	**99,162**	**13,149**	**16,520**	**2,003**	**131,288**
Additions	**–**	**–**	**–**	**–**	**7,755**	**7,755**
Exchange realignments	**18**	**7,092**	**938**	**–**	**–**	**8,048**
At 31 December 2017	**472**	**106,254**	**14,087**	**16,520**	**9,758**	**147,091**
Amortisation and impairment						
At 1 January 2016	–	–	–	–	–	–
Provided for the year	233	2,662	1,351	1,377	721	6,344
Exchange realignments	(6)	(64)	(36)	–	–	(106)
At 31 December 2016 and 1 January 2017	**227**	**2,598**	**1,315**	**1,377**	**721**	**6,238**
Provided for the year	**177**	**4,292**	**2,044**	**3,304**	**564**	**10,381**
Exchange realignments	**68**	**1,389**	**794**	**–**	**–**	**2,251**
At 31 December 2017	**472**	**8,279**	**4,153**	**4,681**	**1,285**	**18,870**
Carrying values						
At 31 December 2017	**–**	**97,975**	**9,934**	**11,839**	**8,473**	**128,221**
At 31 December 2016	227	96,564	11,834	15,143	1,282	125,050

17. INTANGIBLE ASSETS *(Continued)*

Capitalised development costs are costs incurred internally relating to software/apps development for providing financial e-commerce services and financial trading platform and solutions 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

18. 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 and 1 January 2017	**163,386**	**23,015**	**186,401**
Exchange realignments	**12,919**	**–**	**12,919**
At 31 December 2017	**176,305**	**23,015**	**199,320**
Impairment			
At 1 January 2016, 31 December 2016 and 2017	–	–	–
Carrying values			
At 31 December 2017	**176,305**	**23,015**	**199,320**
At 31 December 2016	163,386	23,015	186,401

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 fintech business ("CGU 2"), respectively.

18. GOODWILL *(Continued)*

During the year ended 31 December 2017, the management determines that there is no impairment of the CGUs containing goodwill.

The recoverable amounts of the CGU 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 23.1% and 25.1% (2016: 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.

19. PREPAID LEASE PAYMENTS

	2017 **HK$'000**	2016 HK$'000
Leasehold land in the PRC		
Medium-term lease	–	385
Analysed for reporting purposes as:		
Current portion	–	67
Non-current portion	–	318
	–	385

The movements in prepaid lease payments during the year are:

	2017 **HK$'000**	2016 HK$'000
At beginning of the year	**385**	484
Amortisation	**(57)**	(69)
Disposal of subsidiaries *(Note 35)*	**(347)**	–
Exchange realignment	**19**	(30)
At end of the year	–	385

Prepaid lease payments represented payments for land use rights located in the PRC with various expiry dates through to 2022 and the balances were released to profit or loss over the lease terms.

20. INTERESTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Unlisted shares, at cost	–	64,687
Share of results and other comprehensive income	–	(38,655)
	–	26,032

As disclosed in Note 35, Universal Harbour Investment Limited ("UHI") has been disposed of and interests in joint ventures are derecognised during the year ended 31 December 2017.

Details of the joint ventures as at 31 December 2017 and 2016, which were 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 Group 2017 %	2016 %	Principal activities
UHI*	Hong Kong	–	50	Investment holding
Lead Ocean Assets Management Limited	British Virgin Islands	–	50	Investment holding
Argos Engineering (International) Company Limited ("Argos")	Hong Kong	–	50	Investment holding
Cochrane Enterprises Limited	Hong Kong	–	50	Investment holding
東莞振華建造工程有限公司 (Dongguan Zhenghua Construction Engineering Limited Company**)	PRC	–	50	Property holding
東莞興華造船有限公司 (Dongguan Xinghua Marine Construction Limited Company**)	PRC	–	50	Property holding

* Was 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 had to be jointly approved by the Group and the joint venture partner.

20. 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:

	2017 HK$'000	2016 HK$'000
Current assets	–	18,530
Non-current assets	–	51,255
Current liabilities	–	(17,721)
Equity	–	52,064
Included in the above assets and liabilities:		
Cash and cash equivalents	–	574
Reconciled to the Group's interest:		
Net assets of UHI Group	–	52,064
Proportion of the Group's ownership interest in UHI Group	–	50%
Carrying amount of the Group's interest in UHI Group	–	26,032

	From 1 January to 8 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Revenue	**3,280**	4,671
Loss from operations and total comprehensive expense	**(3,813)**	(33,220)
Included in the above loss:		
Depreciation and amortisation expenses	**(4,430)**	(5,544)
Impairment on non-current assets	–	(24,400)
Interest income	**1**	4
Reconciled to the Group's interest:		
Loss from operations	**(3,813)**	(33,220)
Proportion of the Group's ownership interest in UHI Group	**50%**	50%
Group's share of losses of UHI Group	**(1,907)**	(16,610)

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Vessels held for sale	**2,083**	5,800
Raw materials	**63**	1,942
Merchandise	**43,766**	7,344
	45,912	15,086

22. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables *(Note 22(a))*	**35,433**	41,642
Less: Allowance for doubtful debts	**(2,122)**	(2,122)
	33,311	39,520
Other receivables *(Note 22(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

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(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 HK$'000	2016 HK$'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 HK$'000	2016 HK$'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

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

Impairment of trade receivables (Continued)

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 **HK$'000**	2016 HK$'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

23. LOAN RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Analysed as		
Current	**7,593**	–
Non-current	**9,719**	–
	17,312	–

At 31 December 2017, loan receivables amounted to HK$17,312,000 were made to an independent third party. The loans were repayable by 22 instalments with a term of 2 years, bearing a fixed interest rate of 7.07% per annum and were secured by the marine plant of the independent third party.

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**3,951**	56,896
Less: Progress billings	**(3,951)**	(47,312)
	–	9,584
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**–**	9,584
	–	9,584

The revenue generated from provision of contract work are those from provision of construction and structural steel engineering services and marine engineering services as disclosed in Note 5.

25. AMOUNT DUE FROM (TO) A JOINT VENTURE

(a) Amount due from a joint venture

	2017 HK$'000	2016 HK$'000
UHI Group	**–**	2,545

The maximum amount of amount due from a joint venture during the year ended 31 December 2017 is HK$2,545,000 (2016: HK$2,545,000). The amount due from a joint venture is non-trade related, unsecured, interest-free and repayable on demand.

(b) Amount due to a joint venture

	2017 HK$'000	2016 HK$'000
UHI Group	**–**	5,149

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

26. BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Cash at bank and in hand, representing as Cash and cash equivalents in the consolidated statement of cash flows	**72,914**	271,909

Bank balances and short-term bank deposits carry interest at market rates ranging from of 0.01% to 1.4% (2016: 0.01% to 1.4%) per annum.

27. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'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 HK$'000	2016 HK$'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

28. BORROWINGS

	2017 HK$'000	2016 HK$'000
Other loans		
Secured *(Note a)*	**570**	2,237
Unsecured	**37,521**	15,346
	38,091	17,583
Fixed rate *(Note b)*	**–**	1,929
Variable rate *(Note b)*	**38,091**	15,654
	38,091	17,583

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

	2017 HK$'000	2016 HK$'000
Within one year *(Note c)*	**38,091**	17,583

Notes:

a. The loan was secured by a pledge over vessels held by the Group with carrying amount of HK$616,000 (2016: HK$817,000) as at 31 December 2017.

b. As at 31 December 2016, HK$1,929,000 loans were fixed at 6% per annum. The loans carrying variable rate at 31 December 2016 and 2017 are carried 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

	2017 HK$'000	2016 HK$'000
Deferred tax liabilities	**28,856**	30,263

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

	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 January 2016	6,042	679	–	(6,721)	–
Arising from acquisition	1,630	–	29,678	(476)	30,832
(Credited)/charged to profit or loss	–	–	(1,045)	476	(569)
At 31 December 2016 and 1 January 2017	**7,672**	**679**	**28,633**	**(6,721)**	**30,263**
Credited to profit or loss	**–**	**–**	**(1,407)**	**–**	**(1,407)**
At 31 December 2017	**7,672**	**679**	**27,226**	**(6,721)**	**28,856**

At the end of the reporting period, the Group has unused tax losses of HK$254,695,000 (2016: HK$259,737,000) available for offset against future profits. Deferred tax assets have been recognised in respect of HK$40,733,000 (2016: HK$40,733,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$213,962,000 (2016: HK$219,004,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the Enterprise Income Tax law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$15,301,000 at 31 December 2017 (2016: HK$9,063,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

(a) Authorised and issued share capital

	2017 Number of ordinary shares '000	2017 HK$'000	2016 Number of ordinary shares '000	2016 HK$'000
Authorised:				
Ordinary shares of HK$0.5 each	**5,000,000**	**2,500,000**	5,000,000	2,500,000
Issued and fully paid:				
– Ordinary shares of HK$0.5 each				
At 1 January	**504,117**	**252,059**	474,636	237,318
Shares issued for acquisition of subsidiaries *(Note a)*	**–**	**–**	29,481	14,741
Shares issued for acquisition of assets *(Note b)*	**51,021**	**25,510**	–	–
At 31 December	**555,138**	**277,569**	504,117	252,059

Notes:

a. Shares issued for acquisition of subsidiaries

On 11 July 2016, 29,481,480 shares of the Company with par value of HK$0.5 each were issued as part of the consideration for the acquisition of subsidiaries. Further details are set out in Note 34.

b. Shares issued for acquisition of assets

On 1 March 2017, 51,020,312 shares of the Company with par value of HK$0.5 each were issued as the consideration for the acquisition of assets. Further details are set out in Note 34.

(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 2017, 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 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 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 2017, the number of share options had been granted and remained outstanding under the 2012 Scheme was 22,600,000 (2016: 21,500,000), representing 4.07% of the Shares in issue. The total number of shares options may be granted under the 2012 Scheme is not permitted to exceed 10% of the number of Shares 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 4 September 2017, 3,000,000 share options were granted to an eligible participant with a valid period of 10 years from the grant date. 40% of these share options 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 exercise price is HK$4.814, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

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 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 exercise price is HK$3.000 and HK$3.710 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 2017:

Eligible persons	Date of grant	Exercise Price HK$	Number of share options: Outstanding at 1 January 2017	Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2017
Mr. Lu Jianzhong	28 January 2016	3.000	3,500,000	–	–	–	–	3,500,000
Mr. Yang Xingwen	28 January 2016	3.000	2,500,000	–	–	–	–	2,500,000
Mr. Lai Kim Fung	4 September 2017	4.814	–	3,000,000	–	–	–	3,000,000
Mr. Wong Kwok Tung Gordon	28 January 2016	3.000	2,500,000	–	–	–	–	2,500,000
Mr. Wang Shi	28 January 2016	3.000	250,000	–	–	–	–	250,000
Mr. Jean-Guy Carrier	28 January 2016	3.000	250,000	–	–	–	–	250,000
Mr. Cheng Yuk Wo	28 January 2016	3.000	250,000	–	–	–	–	250,000
Ms. Fan Chiu Fun, Fanny	28 January 2016	3.000	250,000	–	–	–	–	250,000
Mr. Tsui Yiu Wa, Alec	28 January 2016	3.000	250,000	–	–	–	–	250,000
Mr. Tse Yung Hoi	28 January 2016	3.000	250,000	–	–	–	–	250,000
Other eligible participants	28 January 2016	3.000	5,500,000	–	–	(200,000)	–	5,300,000
	21 December 2016	3.710	6,000,000	–	–	(1,700,000)	–	4,300,000
Total			21,500,000	3,000,000	–	(1,900,000)	–	22,600,000
Exercisable at the end of the year								7,840,000

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

Eligible persons	Date of grant	Exercise Price HK$	Number of share options: Outstanding at 1 January 2016	Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2016
Mr. Lu Jianzhong	28 January 2016	3.000	–	3,500,000	–	–	–	3,500,000
Mr. Yang Xingwen	28 January 2016	3.000	–	2,500,000	–	–	–	2,500,000
Mr. Wong Kwok Tung Gordon	28 January 2016	3.000	–	2,500,000	–	–	–	2,500,000
Mr. Jean-Guy Carrier	28 January 2016	3.000	–	250,000	–	–	–	250,000
Mr. Tse Yung Hoi	28 January 2016	3.000	–	250,000	–	–	–	250,000
Mr. Wang Shi	28 January 2016	3.000	–	250,000	–	–	–	250,000
Mr. Cheng Yuk Wo	28 January 2016	3.000	–	250,000	–	–	–	250,000
Ms. Fan Chiu Fun, Fanny	28 January 2016	3.000	–	250,000	–	–	–	250,000
Mr. Tsui Yiu Wa, Alec	28 January 2016	3.000	–	250,000	–	–	–	250,000
Other eligible participants	28 January 2016	3.000	–	5,500,000	–	–	–	5,500,000
	21 December 2016	3.710	–	6,000,000	–	–	–	6,000,000
Total			–	21,500,000	–	–	–	21,500,000
Exercisable at the end of the year								–

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

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	4 September 2017	21 December 2016	28 January 2016
Fair value option at measurement date	HK$2.35 to HK$2.40	HK$1.70 to HK$1.80	HK$1.36 to HK$1.53
Exercise price	HK$4.814	HK$3.710	HK$3.000
Expected volatility	43.37%	43.63%	43.56%
Option life	10 years	10 years	10 years
Risk-free interest rate	1.387%	2.008%	1.686%
Early exercise multiple	Directors: 2.8x	other eligible participants:2.2x	Directors: 2.8x/other eligible participants:2.2x
Expected dividend yield	Nil	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$14,515,000 (2016: HK$13,760,000) share-based payment expenses during the year ended 31 December 2017 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. 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:

	2017 HK$'000	2016 HK$'000
Within one year	**16,022**	13,833
Between the second and fifth year, inclusive	**14,653**	20,013
More than five years	**–**	371
	30,675	34,217

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

(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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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 Wealthy Forest Limited ("WFL"), a 70%–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.

For the purpose of Acquisition of vineyard business, the Group subscribed 70% equity interests in WFL for HK$32,000,000 while the non-controlling interest holder subscribed the remaining 30% equity interests for HK$8,000,000 on 26 May 2017. The excess of capital contribution over the share of equity interests in this subsidiary amounted to HK$4,000,000 was recognised as acquisition-related costs in the consolidated financial statements because the Acquisition of vineyard business was completed with the assistance of the non-controlling interest holder.

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

Acquisition-related costs amounting to HK$5,973,000 (including HK$4,000,000 mentioned above) 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

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of vineyard business *(Continued)*

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$65.6 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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Acquisition of auction business

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 Structured Arrangements, the Group is entitled to obtain economic interest and benefits from its business activities of Phoenixstar upon completion. This acquisition has been accounted for using the acquisition method. Phoenixstar is a company established in the PRC, which is engaged in the arts and collections auction business. The transaction was subsequently completed on 11 July 2016 (the "Acquisition of auction business").

	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 of auction business, 29,481,480 Shares with par value of HK$0.5 each were issued. The fair value of the consideration shares, 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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Acquisition of auction business *(Continued)*

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' average 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 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' average 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)}

Based on the management accounts of Phoenixstar Group, the Net Profit for the year ended 30 June 2017 is lower than the Profit Guarantee for that year. However, the Directors do not consider that an inflow of economic benefits as a result of the adjustments of consideration is probable as at 31 December 2017.

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 year ended 31 December 2016, within the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Acquisition of auction business *(Continued)*

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

	HK$'000
Property, plant and equipment	85
License	474
Brands	96,049
Customer relationship	13,729
Cash and cash equivalents	1,279
Trade and other receivables	18,953
Inventories	12,326
Deferred tax asset	476
Other payables	(11,590)
Deferred tax liabilities	(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.

Identification and valuation of intangible assets and the allocation of purchase price to the assets and liabilities acquired has been assessed by an independent firm of surveyors, Jones Lang LaSalle, a firm of independent qualified professional valuer in Hong Kong.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Acquisition of auction business *(Continued)*

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 of auction business is expected to be deductible for tax purposes.

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

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

Included in the loss for the year ended 31 December 2016 was HK$1,018,000 attributable to the additional business generated by Phoenixstar Group. Revenue for the year ended 31 December 2016 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 ended 31 December 2016 would have been HK$122 million, and loss for the year ended 31 December 2016 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 year 2016, the Directors have calculated depreciation of property, plant and equipment and amortisation of license, brands 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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) Acquisition of m-Finance Group

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 trading technologies and related value-added service business. The transaction was subsequently completed on 26 August 2016 (the "Acquisition of m-Finance Group").

	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.

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 (the "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")

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) Acquisition of m-Finance Group *(Continued)*

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

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

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

Where:
A = the first adjusted consideration payment. In case A is a negative, then A is set as zero
B = 2017 Profits (in HK$). In case B is a negative (i.e. loss), then B is set as zero

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

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

Where:
A = the second adjusted consideration payment. In case A is a negative, then A is set as zero
B = 2018 Profits (in HK$). In case B is a negative (i.e. loss), then B is set as zero

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

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

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

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

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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) Acquisition of m-Finance Group *(Continued)*

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. As at 31 December 2017, the financial results for the first profit guarantee period of m-Finance Group is not finalised, and the Directors are of the opinion that m-Finance Group's actual performance will meet 1st Profit Guarantee.

Acquisition-related costs amounting to HK$815,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2016, 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
Brands	7,166
Developed technology	16,520
Cash and cash equivalents	4,602
Trade and other receivables	1,358
Tax recoverable	397
Other payables	(7,038)
Deferred tax liabilities	(3,744)
Tax payables	(75)
	19,537

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

Identification and valuation of intangible assets and the allocation of purchase price to the assets and liabilities acquired has been assessed by an independent firm of surveyors, Jones Lang LaSalle, a firm of independent qualified professional valuers in Hong Kong.

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

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) Acquisition of m-Finance Group *(Continued)*

Goodwill arising on acquisition: (Continued)

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 of m-Finance Group 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 of m-Finance Group is expected to be deductible for tax purposes.

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

Included in the loss for the year ended 31 December 2016 is HK$181,000 attributable to the additional business generated by m-Finance Group. Revenue for the year ended 31 December 2016 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 ended 31 December 2016 would have been HK$139 million, and loss for the year ended 31 December 2016 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 year 2016, 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 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 for the disposal of the 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

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

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
Cash and cash equivalents	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)

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2017 **HK$'000**	2016 HK$'000
Contingent assets *(Note a)*	**–**	–
Contingent consideration payables *(Note b)*	**11,492**	10,821
Analysed as		
Current	**4,000**	–
Non-current	**7,492**	10,821
	11,492	10,821

Notes:

a. Contingent assets represents Profit Guarantee underlying the acquisition of Phoenixstar Group.

b. The balance was recognised as contingent consideration payables at the time when m-Finance Group was acquired in 2016.

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS *(Continued)*

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.

The Group	Fair value at 31 December 2017 HK$'000	Fair value measurements as at 31 December 2017 can be categorised Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Contingent liabilities	**11,492**	**–**	**–**	**11,492**

The Group	Fair value at 31 December 2016 HK$'000	Fair value measurements as at 31 December 2016 can be categorised Level 1 HK$'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 2017 and 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 (%)
Year ended 2017			
Contingent liabilities	Discounted cash flow method	Discount rate	4.9
Year ended 2016			
Contingent liabilities	Discounted cash flow method	Discount rate	4.9

As at 31 December 2017 and 2016, it is estimated that with all other variables held constant, an increase/decrease in discount rate by 10% (to 5.39%/4.41%) (2016: to 5.39%/4.41%) would have decreased/increased the Group's loss for the year by HK$42,000 (2016: 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

	2017 HK$'000	2016 HK$'000
Consultancy income from UHI	–	1,500
Consultancy fee paid to UHI	**(110)**	(120)
Administrative expenses paid to Argos	**(28)**	(30)

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 the Directors as disclosed in Note 12 is as follows:

	2017 HK$'000	2016 HK$'000
Salaries, wages and other benefits	**14,635**	8,064
Share-based payment expenses	**11,123**	11,196
Contributions to defined contribution retirement plans	**103**	62
	25,861	19,322

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Financial instrument classification	Carrying amount at 31 December 2017 HK$'000	2016 HK$'000
Financial assets			
Loan receivables	Loans and receivables	**17,312**	–
Trade and other receivables*	Loans and receivables	**263,465**	93,481
Bank balances and cash	Loans and receivables	**72,914**	271,909
Amount due from a joint venture	Loans and receivables	**–**	2,545
		353,691	367,935
Financial liabilities			
Trade and other payables**	At amortised cost	**43,111**	33,061
Amount due to a joint venture	At amortised cost	**–**	5,149
Borrowings	At amortised cost	**38,091**	17,583
Obligations under finance leases	At amortised cost	**–**	67
Contingent consideration payables	At FVTPL	**11,492**	10,821
		92,694	66,681

* 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 is exposed to fair value interest rate risk in relation to fixed-rate loan receivables and borrowings. The Group is also exposed to cash flow interest rate risk in relation to borrowings and bank balances bearing at variable rate. 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.

The sensitivity analysis below has been determined based on the exposure to interest rate fluctuation for variable interest bearing borrowings at the end of the reporting period. At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rate for borrowings with all other variables being held constant, would increase/decrease the Group's loss after tax by approximately HK$16,000 (2016: HK$7,000).

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.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Currency risk

The Group has certain balances denominated in HK$, RMB, Singapore dollars, Euro or United States dollars ("US$") 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.

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:

	2017 HK$'000	2016 HK$'000
HK$	**(289)**	(45,095)
RMB	**46,114**	4,388
US$	**26**	469
Singapore dollars	**(694)**	123
Euro	**19**	–
	45,176	(40,115)

Currency risk sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 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 a decrease (increase) 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.

	2017 HK$'000	2016 HK$'000
Decrease (increase) in loss for the year	**1,891**	(1,664)

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 and loan 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 of the Group closely monitors the credit quality of other receivables and considers other receivables are of good credit quality.

Loan receivables were repayable by 22 instalments with a term of 2 years and management closely monitors the credit and repayment conditions and considers loan 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 32% (2016: 95%) 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 22.

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.

	Weighted average effective interest rate %	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$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2017						
Non-derivative financial liabilities						
Non-interest bearing						
Trade and other payables	N/A	43,111	–	–	43,111	43,111
Contingent consideration payables	4.90	4,000	4,000	4,000	12,000	11,492
Interest bearing						
Borrowings	5.00	38,091	–	–	38,091	38,091
		85,202	4,000	4,000	93,202	92,694

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	More than 1 years but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2016						
Non-derivative financial liabilities						
Non-interest bearing						
Trade and other payables	N/A	33,061	–	–	33,061	33,061
Amount due to a joint venture	N/A	5,149	–	–	5,149	5,149
Contingent consideration payables	4.90	4,000	4,000	4,000	12,000	10,821
Interest bearing						
Obligations under finance leases	2.50	68			68	67
Borrowings	5.89	17,583	–	–	17,583	17,583
		59,861	4,000	4,000	67,861	66,681

38. FINANCIAL INSTRUMENTS *(Continued)*

(e) 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. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK$'000 *(Note 28)*	Obligations under finance leases HK$'000	Contingent consideration payables HK$'000 *(Note 36)*	Total HK$'000
At 1 January 2017	17,583	67	10,821	28,471
Financing cash flows	19,783	(67)	–	19,716
Interest expenses	845	–	–	845
Disposal of subsidiaries	(120)	–	–	(120)
Fair value adjustments	–	–	671	671
At 31 December 2017	**38,091**	**–**	**11,492**	**49,583**

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ establishment of 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				
				2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	
DTXS Silk Road Investment (Hong Kong) Limited	Hong Kong	Ordinary	HK$1,000,000	–	–	100	100	100	100	Investment holding
DTXS Jewellery Resources (HK) Limited	Hong Kong	Ordinary	HK$100,000	–	–	100	100	100	100	Investment holding
M-Finance Limited	Hong Kong	Ordinary	HK$50,310,010	–	–	85	85	85	85	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	100	–	–	100	100	Trading
Phoenixstar	PRC	Registered	RMB10,000,000	–	–	100	100	100	100	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	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	Management services
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	Ordinary	HK$124,000,000	–	–	–	100	–	100	Structural steel engineering work and ship management services
UDL Dredging Limited	Hong Kong	Ordinary	HK$56,500,000	–	–	100	100	100	100	Engineering work
UDL Employment Services Limited	Hong Kong	Ordinary	HK$2	–	–	–	100	–	100	Provision of human resources and management services
China King Sing Lun Fung Company Limited	Hong Kong	Ordinary	HK$1	–	–	100	100	100	100	Auction business
Silk Road Online Limited	Hong Kong	Ordinary	HK$1,000	–	–	100	100	100	100	Trading business
UDL Ship management ("USM")	Hong Kong	Ordinary	HK$2	–	–	100	100	100	100	Sales of vessels
Wealthy Forest-Puy Bardens SAS	France	Ordinary	EUR4,630,000	–	–	70	–	70	–	Vineyard business

None of subsidiaries has issued any debt securities at the end of the year.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2017

	2017 HK$'000	2016 HK$'000
Non-current Assets		
Property, plant and equipment	–	600
Investments in subsidiaries	32,000	82,453
	32,000	83,053
Current Assets		
Amounts due from subsidiaries	799,084	518,737
Other receivables	314	1,641
Amount due from a joint venture	–	100
Bank balances and cash	157	119,454
	799,555	639,932
Current Liabilities		
Other payables	2,636	2,813
Amounts due to subsidiaries	32,053	235
	34,689	3,048
Net Current Assets	764,866	636,884
Total Assets Less Current Liabilities	796,866	719,937
Capital and Reserves		
Share capital	277,569	252,059
Reserves	519,297	467,878
Total Equity	796,866	719,937

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

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year 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 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	85,791	–	–	–	–	–	85,791
Effects of share options	–	–	–	13,760	–	–	13,760
At 31 December 2016	881,150	1,264	21,689	13,760	287,524	(737,509)	467,878
At 1 January 2017	**881,150**	**1,264**	**21,689**	**13,760**	**287,524**	**(737,509)**	**467,878**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(104,932)**	**(104,932)**
Shares issued for acquisition	**141,836**	**–**	**–**	**–**	**–**	**–**	**141,836**
Effects of share options	**–**	**–**	**–**	**14,515**	**–**	**–**	**14,515**
At 31 December 2017	**1,022,986**	**1,264**	**21,689**	**28,275**	**287,524**	**(842,441)**	**519,297**

* 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 2017, in the opinion of the Directors, the Company did not have any reserve available for distribution to shareholders (2016: nil).

42. NON-CASH TRANSACTION

During the year, trade receivables of HK$17,312,000 were settled through loan receivables with an independent third party.

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		Five months ended 31 December	Year ended 31 July	
	2017	2016	2015	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**203,489**	122,307	60,197	89,042	119,722
Loss before taxation	**(58,589)**	(74,071)	(20,669)	(38,142)	(40,854)
Taxation	**(6,201)**	569	–	–	–
Loss for the year/period from continuing operations	**(64,790)**	(73,502)	(20,669)	(38,142)	(40,854)
Gain for the year/period from discontinued operation	**–**	–	–	–	29,169
Loss for the year/period	**(64,790)**	(73,502)	(20,669)	(38,142)	(11,685)
Loss for the year/period attributable to:					
Owners of the Company	**(63,925)**	(73,497)	(20,669)	(38,142)	(11,714)
Non-controlling interests	**(865)**	(5)	–	–	29
	(64,790)	(73,502)	(20,669)	(38,142)	(11,685)

	At 31 December			At 31 July	
	2017	2016	2015	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**944,862**	779,721	701,745	233,294	189,753
Total liabilities	**(133,082)**	(123,917)	(76,196)	(141,780)	(60,396)
Net assets	**811,780**	655,804	625,549	91,514	129,357