



**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)

**INTERIM REPORT
2019**



Contents

Corporate Information	2
Management Discussion and Analysis	3
Other Information	12
Review Report of the Auditor	17
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Consolidated Financial Statements	24

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 Allan
(*Deputy Chief Executive Officer*)

Non-executive Directors

Mr. Wang Shi
Mr. Jean-Guy Carrier
Dr. Cheng Kar-Shun, Henry
(appointed on 28 August 2019)

Independent Non-executive Directors

Mr. Cheng Yuk Wo
Ms. Fan Chiu Fun, Fanny
(resigned on 1 May 2019)
Mr. Tsui Yiu Wa, Alec
Mr. Tse Yung Hoi

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)
Ms. Fan Chiu Fun, Fanny
(resigned on 1 May 2019)
Mr. Tsui Yiu Wa, Alec
Mr. Tse Yung Hoi
(appointed on 1 May 2019)

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. Tang Man Joe

REGISTERED OFFICE

Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 811-817, 8/F
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Estera Management (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 54, 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

PRINCIPAL BANKERS

China Everbright Bank Hong Kong Branch
China Construction 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

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

The Group recorded a revenue from continuing operations of approximately HK\$116.4 million (30 June 2018: HK\$89.9 million) with a profit of approximately HK\$3.0 million (30 June 2018: loss of HK\$34.3 million) for the six months ended 30 June 2019.

Arts and Cultural Division

This division, comprising the auction business and the Art Central Business District business (“ACBD Business”), contributed a segment revenue of approximately HK\$21.1 million (30 June 2018: HK\$22.4 million), and the segment profit before taxation, certain allocated corporate expenses and amortisation of intangible assets resulting from fair value upwards in business combination (“Segment Profit”) of approximately HK\$9.0 million (30 June 2018: HK\$8.7 million) for the six months ended 30 June 2019.

Auction Business

The auction business contributed a Segment Profit of approximately HK\$14.4 million (30 June 2018: HK\$14.2 million) for the six months ended 30 June 2019. The decrease in segment revenue was mainly due to only one large scale auction held in Beijing during the period under review while two auctions were held in Hong Kong and Xi’an respectively in the first half of 2018.

The auction prepayments and art financing business provides flexibility to our auction participants and derives additional income source for the Group. We are going to further develop our auction business by utilizing the proceeds of approximately HK\$200.0 million from the subscription of shares with reference to the circular of the Company dated 7 August 2019 to expand the art financing business.

ACBD Business

The Company has established two Art Central Business District centers (“ACBD Centers”) located in Xi’an and in Hong Kong respectively. The main business functions of these centers are to provide integrated functions of storage, exhibition, auction, promotion and trading of arts and collections. The center aims to create a strong network with other art and culture partners to host events and networking. As disclosed in the announcement of the Company dated 28 June 2019, the ACBD Centers is expected to create a synergy effect with the operations of Silk Road International Culture Center.

Management Discussion and Analysis

Winery Division

This division contributed a segment revenue of approximately HK\$1.4 million (30 June 2018: HK\$4.2 million), and a segment loss before taxation of approximately HK\$0.5 million (30 June 2018: profit of HK\$0.3 million) for the six months ended 30 June 2019.

Through our continuous efforts to expand different sales channels, we have partnered with a Hong Kong celebrity to develop a wine label and distribute the wine through distributors and our online marketplace to customers located in Hong Kong and China. Also, we have strengthened the wine-making process and eventually increased the quality of our vintage for 2018. It received an outstanding 92 points from James Suckling's 2019 tasting report, representing a substantial improvement in the quality of our wine.

E-Commerce Division

This division contributed a segment revenue of approximately HK\$65.9 million (30 June 2018: HK\$61.4 million), and a Segment Profit of approximately HK\$0.4 million (30 June 2018: loss of HK\$0.2 million) for the six months ended 30 June 2019.

The divisional performance has continued to improve and achieve a segment profit during the period under review. Such improvement is mainly due to an additional airline which has been engaged as our inflight sales provider in the first half of 2019. We have also expanded the number and range of our licensed brands and products.

Engineering Services Division

This division contributed a segment revenue of approximately HK\$28.0 million (30 June 2018: HK\$1.9 million), and a Segment Profit of approximately HK\$11.8 million (30 June 2018: loss of HK\$11.9 million) for the six months ended 30 June 2019.

As mentioned in our 2018 Annual Report, the management has completed the 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.

Discontinued Operations

As the disposal of Fintech Division was completed on 28 December 2018, there was no further results from discontinued operations during the six months ended 30 June 2019 (30 June 2018: profit of HK\$669,000).

Management Discussion and Analysis

OUTLOOK

In the second half of 2019, we will continue to refine our operations and business structure and promote our business development in a prudent manner. With reference to the announcement of the Company dated 28 June 2019, the participation in the construction of a comprehensive Silk Road International Culture Center that features all-round cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex will allow the Group to capture the historic opportunities arising from the booming development of the cultural industries in the People's Republic of China (the "PRC"). It is expected that the project will generate stable revenue upon its completion, providing strong and sustainable development for the Group.

The Group has been endeavouring to explore any means of cooperation, focusing on development in the cultural industry by leveraging on the business network and resources of the parent company, and to develop businesses around the cultural industries and business relating to financing, including operations and auction of cultural artworks, participation in the international artwork trading platform, investment in cultural industrial parks and the development of experience in cultural tourism.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's operations and acquisition activities were mainly financed by funds raised through open offer of new shares of the Company in the fourth quarter of 2015.

As at 30 June 2019, the Group's total bank balances and cash amounted to approximately HK\$28.4 million, which was denominated mainly in Hong Kong Dollars (25.6%) and Renminbi (73.6%), representing a decrease of approximately HK\$26.0 million as compared with the bank balances and cash of approximately HK\$54.4 million as at 31 December 2018. The change was mainly attributable to the improvement in operating cash flows coupled with settlement of payables during the period under review.

As at 30 June 2019, the Group had outstanding secured borrowings of approximately HK\$0.6 million and unsecured borrowings of approximately HK\$58.0 million (31 December 2018: approximately HK\$0.6 million and approximately HK\$55.3 million respectively). The total amount of borrowings of approximately HK\$58.6 million (31 December 2018: approximately HK\$55.9 million) is repayable within one year.

Management Discussion and Analysis

GEARING

The gearing ratio of the Group (expressed as a percentage of total borrowings over the equity attributable to owners of the Company as at the end of the reporting period) was 8.9% as at 30 June 2019 (31 December 2018: 8.5%).

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 the 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 30 June 2019. Income and expense items are translated at the average exchange rates for the period ended 30 June 2019. Exchange loss arising from the translation of foreign operations of HK\$1.6 million (30 June 2018: HK\$5.7 million) for the interim period are recognised in other comprehensive expense and accumulated in equity under the heading of "exchange differences arising on translation 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 30 June 2019, other than outsourcing vendors but including contract workers, the Group has approximately 84 employees (31 December 2018: 84) in Hong Kong and the Mainland China. 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.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have significant contingent liabilities.

Management Discussion and Analysis

HEDGING, ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

On 28 June 2019, DTXS Silk Road Investment Development Company Limited, a wholly owned subsidiary of the Company, entered into a heads of agreement (the “HOA”) with Da Tang Xi Shi International Group Limited, a wholly owned subsidiary of 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*), which is owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen, in respect of the proposed acquisition of the entire issued share capital of the target company (the “Proposed Acquisition”). The target company indirectly holds approximately 45% of the equity interest of 西安大唐西市實業有限公司 (Xi’an Da Tang Xi Shi Enterprise Limited*), which is the sole legal and beneficial owner of the properties and land located in the South Western part of Tang West Market in Xi’an, the PRC (the “Project”). Therefore, the target company owns approximately 45% of the equity interest of the Project. Since 373,596,736 Company’s shares, representing approximately 67.20% of the issued share capital of the Company as at 28 June 2019, were owned by Da Tang Xi Shi International Holdings Limited, which is a wholly owned subsidiary of Da Tang Xi Shi International Group Limited. As such, Da Tang Xi Shi International Holdings Limited, Da Tang Xi Shi International Group Limited and 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*) are connected persons of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules if the Proposed Acquisition materialises.

Saved as disclosed above, 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 during the period under review.

CAPITAL COMMITMENT

As at 30 June 2019, the Group did not have material capital commitment.

SUBSEQUENT EVENT

On 16 July 2019, the Company and Ion Tech Limited (the “Subscriber”) entered into the subscription agreement (the “Subscription Agreement”) under which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for 111,187,538 new shares (the “Subscription Shares”) at the subscription price of HK\$5.3873 per Subscription Share (the “Subscription”).

* For identification purpose only

Management Discussion and Analysis

In connection with the Subscription Agreement, on 16 July 2019, Da Tang Xi Shi International Holdings Limited, the controlling shareholder of the Company, as the grantor (the “Grantor”), the Subscriber as the grantee and Mr. Lu Jianzhong as the guarantor entered into the put option deed (the “Put Option Deed”) pursuant to which the Grantor has granted the put option to the Subscriber. The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the option shares in accordance with the terms set out in the Put Option Deed.

Since 373,596,736 shares, representing approximately 67.20% of the issued share capital of the Company as at 16 July 2019, were owned by the Grantor. As such, the Grantor and Mr. Lu Jianzhong, the ultimate controlling shareholder of the Company, are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute as a connected transaction of the Company, which is subject to the announcement, reporting and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As mentioned in the circular of the Company dated 7 August 2019, the gross proceeds from the Subscription were approximately HK\$599.0 million. The net proceeds from the Subscription (after deducting related professional fees and related expenses) were approximately HK\$597.0 million. The Company currently intends to use the net proceeds from the Subscription in the following manner:

- (i) approximately HK\$327.8 million to jointly invest in development of the Xi’an Cultural Project with the controlling shareholders of the Company. As mentioned in the announcement of the Company dated 28 June 2019, the Xi’an Cultural Project has been planned to develop into the Silk Road International Culture Center with comprehensive cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is made up of three major areas, namely (i) the headquarter of Silk Road Chamber of International Commerce Tower in western China; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street, with a total gross floor area of approximately 260,000 square meters. The Company considers that the investment in the Xi’an Cultural Project will serve as a driving force for the development of the Group’s business in relevant cultural industry. The Company intends to allocate (i) up to approximately HK\$113.6 million for the payment of the consideration for acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited; and (ii) the remaining balance to further invest in the Xi’an Cultural Project for its construction and development;
- (ii) approximately HK\$200.0 million to further develop and expand the auction business of the Group in the PRC and Hong Kong which is a part of cultural industry and a key segment of the Group; and
- (iii) the remaining balance of approximately HK\$69.2 million will be used for general working capital of the Group and any other investment opportunities which may arise in the foreseeable future.

The Subscription was completed on 28 August 2019.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds raised from the issuance of the Company's shares on an open offer on 9 December 2015 (the "Open Offer") was HK\$420.3 million. The original allocation of proceeds from the Open Offer, the utilisation and remaining balance of the proceeds as at 31 December 2018 and 30 June 2019 are summarised below:

Uses	As at 31 December 2016		As at 31 December 2017		For the year ended 31 December 2018		For the six months ended 30 June 2019	
	Original allocation	Remaining balance	Remaining balance	Utilised	Remaining balance	Utilised	Remaining balance	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Repayment of loans	48.0	7.1	—	—	—	—	—	
Development of online marketplace for arts and collections	80.0	38.0	12.0	4.0	8.0 ^{Note}	—	8.0 ^{Note}	
Acquisition of inventories for the online marketplace platform	107.4	8.4	—	—	—	—	—	
Expansion of the operation scale of the Group	36.0	5.4	—	—	—	—	—	
Acquisitions for arts and cultural related business	148.9	—	—	—	—	—	—	
Total	420.3	58.9	12.0	4.0	8.0	—	8.0	

Note:

On 23 May 2016, the Company announced that the Group had entered into a memorandum of understanding to acquire 85% interest in a financial e-commerce company (the "E-commerce Acquisition") with well-established information technology personnel and proven technological capacity in order to develop its online marketplace for arts and collections. The cash consideration for the E-commerce Acquisition is HK\$40.8 million (subject to profit guarantee adjustments). The E-commerce Acquisition was subsequently completed on 26 August 2016 and the Group paid HK\$28.8 million as the down payment. Since the E-commerce Acquisition has only met its first profit guarantee for the period ended 31 December 2017, the Company paid HK\$4.0 million in the second half of 2018. The Group intends to apply the remaining balance of approximately HK\$8.0 million for the development of online marketplace for arts and collections.

Management Discussion and Analysis

PROFIT GUARANTEE

Acquisition of China King Sing Lun Fung Auction Holdings Company Limited

As disclosed in the announcement of the Company dated 20 June 2016 regarding the acquisition of the entire issued share capital of China King Sing Lun Fung Auction Holdings Company Limited (“CKSLF”), the vendors (the “Auction Vendors”) of CKSLF and its subsidiaries (the “Target Group”) have guaranteed to the Company that the audited consolidated net profit after tax of the Target Group (the “Net Profit”) for each of the financial period/years ended 30 June 2017, 30 June 2018 and 30 June 2019 (the “Original Schedule”) shall not be less than RMB25.0 million, RMB35.0 million and RMB45.0 million respectively.

On 26 June 2019, the Auction Vendors and DTXS Auction Limited, the purchaser of the Target Group, entered into a supplemental agreement, pursuant to which the Auction Vendors and DTXS Auction Limited clarified and confirmed that the Original Schedule being the three financial years ending 30 June 2019 be postponed and shifted forward by six months. The guarantee period under the supplemental agreement would be the three financial years from 1 January 2017 to 31 December 2019 (the “New Schedule”). The New Schedule was in line with the timing of the reactivation of the Target Group’s critical aspects of the operations after the integration of the Target Group into the internal control system and standard of the Group.

Under the New Schedule, the consolidated net profit arising from the operating business after tax for the first two financial years were approximately RMB22.0 million and RMB21.0 million respectively. The actual shortfall, which has not been confirmed to date, will be based on the average Net Profit for the three financial years ending 31 December 2019 where the average profit guarantee will reflect the overall business performance of the Target Group. Further announcement(s) will be made by the Company in relation to the Profit Guarantee as and when appropriate.

Acquisition of m-Finance Limited

As disclosed in the announcement of the Company dated 22 July 2016 in relation to the acquisition of 85% interests in m-Finance Limited (the “m-Finance”) (the “m-Finance Acquisition”), the vendor of m-Finance (the “m-Finance Vendor”) has guaranteed to the Company, among others, that the audited consolidated profit after tax of m-Finance for the period from 26 August 2016 to 31 December 2017 (the “2017 Guaranteed Period”) shall not be less than HK\$10,000,000 (the “2017 Profit Guarantee”), the period from 1 January 2018 to 31 December 2018 (the “2018 Guaranteed Period”) shall not be less than HK\$9,000,000 (the “2018 Profit Guarantee”) and the period from 1 January 2019 to 30 June 2019 (the “2019 Guaranteed Period”) shall not be less than HK\$5,000,000 (the “2019 Profit Guarantee”).

Management Discussion and Analysis

On 28 December 2018, the Company completed the disposal (the “Completion”) of 100% equity interests in m-Finance to the m-Finance Vendor (the “m-Finance Disposal”) at a total maximum consideration of HK\$48,000,000 (the “Disposal’s Consideration”) (subject to reductions (the “Reductions”)) of which total net Disposal’s Consideration (after Reductions) shall in no event be less than HK\$40,000,000, which includes the portion shared by the non-controlling interest holder of m-Finance. HK\$31,757,000 was settled on Completion and the remaining consideration of m-Finance Disposal would be subject to the Reductions.

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 consolidated profit after tax for 2017 Guaranteed Period has exceeded HK\$10,000,000 and therefore the 2017 Profit Guarantee was met. The first adjusted consideration payment of HK\$4,000,000 has been settled with the m-Finance Vendor in 2018.

Based on the financial results of m-Finance for the year ended 31 December 2018, the consolidated profit after tax for the 2018 Profit Guaranteed Period was lower than HK\$9,000,000 and therefore the 2018 Profit Guarantee was not met. As such, the Company did not pay the second adjusted consideration payment of HK\$4,000,000 to the m-Finance Vendor.

Based on the preliminary financial results of m-Finance for the period from 1 January 2019 to 30 June 2019, the consolidated profit after tax for the 2019 Guaranteed Period was lower than HK\$5,000,000 and therefore the 2019 Profit Guarantee would not be met. The Company is expected not to pay HK\$4,000,000, being the final adjusted consideration payment to the m-Finance Vendor and the Disposal’s Consideration would thus be reduced. However, for the purpose of adjusting the Disposal’s Consideration, the Reductions has yet to be ascertained until the release of audited accounts of m-Finance for the period ended 30 June 2019, which is expected to be available on or before 31 December 2019. Further announcement(s) will be made by the Company when appropriate.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, 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 of Hong Kong Limited (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 (the "Model Code") in Appendix 10 of the Listing Rules, were as follows:

(a) Interests in shares and underlying shares of the Company

Name of Director	Number of ordinary shares of HK\$0.50 each and nature of interests		Number of share options ⁽²⁾	Total interests	Approximate percentage of shareholding ⁽³⁾
	Personal interests	Corporate interests	Personal interests		
Mr. Lu Jianzhong	4,996,000	373,596,736 ⁽¹⁾	3,500,000	382,092,736	68.73%
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 Allan	—	—	2,500,000	2,500,000	0.45%
Mr. Wang Shi	—	—	250,000	250,000	0.04%
Mr. Jean-Guy Carrier	—	—	250,000	250,000	0.04%
Mr. Cheng Yuk Wo	—	—	250,000	250,000	0.04%
Ms. Fan Chiu Fun, Fanny (resigned on 1 May 2019)	—	—	—	—	—
Mr. Tsui Yiu Wa, Alec	—	—	250,000	250,000	0.04%
Mr. Tse Yung Hoi	—	—	250,000	250,000	0.04%

Other Information

Notes:

1. 373,596,736 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 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*) ("DTXS Investment"). Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investment, was interested in approximately 50.60% of the issued registered capital of DTXS Investment. As such, Mr. Lu Jianzhong was deemed to be interested in 373,596,736 shares.
2. Particulars of share options of the Company are set out in note 14 to the condensed consolidated financial statements.
3. The total number of issued shares of the Company was 555,937,692 as at 30 June 2019.

(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 30 June 2019, 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.

Other Information

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

As at 30 June 2019, the persons or corporations (not being a Director or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company 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	373,596,736 ⁽¹⁾	67.20%
Da Tang Xi Shi International Group Limited	Interests in controlled corporation	373,596,736 ⁽¹⁾	67.20%
DTXS Investment	Interests in controlled corporation	373,596,736 ⁽¹⁾	67.20%
Ms. Zhu Ronghua	Interests of spouse	382,092,736 ⁽²⁾	68.73%

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 382,092,736 shares through the interests held by her spouse, Mr. Lu Jianzhong.
3. The total number of issued shares of the Company was 555,937,692 as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 14 to the condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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 of the Company.

During the six months ended 30 June 2019, the Company has applied the principles and complied with code provisions (the "Code") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except for Code A.6.7 of the CG Code and Rule 3.10A of the Listing Rules.

Code A.6.7 requires 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, one non-executive Director was absent from the annual general meeting of the Company held on 30 May 2019 (the "AGM"). However, the other executive Directors and non-executive Directors (including independent non-executive Directors) had attended the AGM to ensure effective communication with the shareholders of the Company.

Pursuant to Rule 3.10A of the Listing Rules, the Company must appoint independent non-executive directors representing at least one-third of the Board. Following the appointment of Dr. Cheng Kar-Shun, Henry as a Non-executive Director of the Company with effect from 28 August 2019, the number of Independent Non-executive Directors on the Board will represent less than one-third of the Board as required under Rule 3.10A of the Listing Rules. During the transitional period, the Board believes that there is still a sufficient independent element on the Board, which can effectively exercise independent judgment. The Company will appoint an Independent Non-executive Director within three months commencing from 28 August 2019 in compliance with Rule 3.11 of the Listing Rules.

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. Having made specific enquiries to all the Directors, who confirmed their compliance with the requirements as set out in the Model Code during the six months ended 30 June 2019.

Other Information

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 represented to comply with the provision of the Model Code when dealing in the securities of the Company.

REVIEW OF INTERIM RESULTS

The audit committee of the Company, comprising all independent non-executive Directors, has reviewed the interim report, including the interim financial report, for the six months ended 30 June 2019.

The condensed consolidated financial statements for the six months ended 30 June 2019 are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" whose review report is included on page 17 of this interim report.

By order of the Board

Lu Jianzhong
Chairman

Hong Kong, 30 August 2019

Review Report of the Auditor

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED**
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries set out on pages 18 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(restated) (unaudited)
Continuing operations			
Revenue			
Goods and services	3	99,400	77,855
Interest	3	17,020	12,073
Total revenue		116,420	89,928
Other income		835	863
Changes in inventories		(64,919)	(63,453)
Auction and related services costs		(2,670)	(1,542)
Staff costs	6(a)	(13,709)	(22,903)
Marine engineering and related services costs	6(b)	(10,624)	(7,645)
Depreciation and amortisation expenses	6(c)	(10,597)	(10,693)
Other operating expenses		(9,652)	(16,384)
Other gains and losses		(89)	21
Profit (loss) from operations		4,995	(31,808)
Finance costs	5	(1,623)	(1,052)
Profit (loss) before taxation	6	3,372	(32,860)
Taxation	7	(391)	(1,416)
Profit (loss) for the period from continuing operations		2,981	(34,276)
Discontinued operations			
Profit for the period from discontinued operations		—	669
Profit (loss) for the period		2,981	(33,607)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,568)	(5,665)
Total comprehensive income (expense) for the period		1,413	(39,272)
Profit (loss) for the period attributable to owners of the Company			
— from continuing operations		3,124	(34,134)
— from discontinued operations		—	394
Profit (loss) for the period attributable to owners of the Company		3,124	(33,740)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (restated) (unaudited)
(Loss) profit for the period attributable to non-controlling interests			
— from continuing operations		(143)	(142)
— from discontinued operations		—	275
(Loss) profit for the period attributable to non-controlling interests		(143)	133
		2,981	(33,607)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		3,061	(39,146)
Non-controlling interests		(1,648)	(126)
		1,413	(39,272)
Earnings (loss) per share			
From continuing and discontinued operations			
Basic (HK cents)	9	0.56	(6.07)
Diluted (HK cents)	9	0.56	(6.07)
From continuing operations			
Basic (HK cents)	9	0.56	(6.14)
Diluted (HK cents)	9	0.56	(6.14)

Condensed Consolidated Statement of Financial Position

At 30 June 2019

		30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		180,102	181,422
Intangible assets		86,015	89,578
Other financial asset		—	—
Goodwill		131,065	131,354
Other receivables	10	—	6,726
		397,182	409,080
Current Assets			
Inventories		44,281	43,557
Trade and other receivables	10	309,484	312,903
Loan receivable		4,945	9,719
Bank balances and cash		28,422	54,437
		387,132	420,616
Current Liabilities			
Trade and other payables	11	24,345	78,177
Contract liabilities		—	679
Borrowings	12	58,634	55,888
Tax liabilities		6,632	6,098
Lease liabilities		1,997	—
		91,608	140,842
Net Current Assets		295,524	279,774
Total Assets Less Current Liabilities		692,706	688,854

Condensed Consolidated Statement of Financial Position

At 30 June 2019

		30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Capital and Reserves			
Share capital	13	277,969	277,969
Reserves		381,736	378,356
		659,705	656,325
Equity attributable to owners of the Company		7,889	9,537
Non-controlling interests			
Total Equity		667,594	665,862
Non-current Liabilities			
Deferred tax liabilities		22,052	22,992
Lease liabilities		3,060	—
		25,112	22,992
		692,706	688,854

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital	Share premium	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Scheme reserve	Revaluation reserve	Capital reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	277,969	1,026,910	31,774	1,264	(5,182)	1,054,095	3,293	5,223	(1,739,021)	656,325	9,537	665,862
Profit for the period	—	—	—	—	—	—	—	—	3,124	3,124	(143)	2,981
Other comprehensive expense	—	—	—	—	(63)	—	—	—	—	(63)	(1,505)	(1,568)
Total comprehensive (expense) income for the period	—	—	—	—	(63)	—	—	—	3,124	3,061	(1,648)	1,413
Effects of share options (note 14)	—	—	319	—	—	—	—	—	—	319	—	319
At 30 June 2019 (unaudited)	277,969	1,026,910	32,093	1,264	(5,245)	1,054,095	3,293	5,223	(1,735,897)	659,705	7,889	667,594
At 1 January 2018 (audited)	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
Loss for the period	—	—	—	—	—	—	—	—	(33,740)	(33,740)	133	(33,607)
Other comprehensive expense	—	—	—	—	(5,406)	—	—	—	—	(5,406)	(259)	(5,665)
Total comprehensive expense for the period	—	—	—	—	(5,406)	—	—	—	(33,740)	(39,146)	(126)	(39,272)
Share option exercised (notes 13 & 14)	400	3,924	(1,356)	—	—	—	—	—	—	2,968	—	2,968
Effects of share options (note 14)	—	—	3,707	—	—	—	—	—	—	3,707	—	3,707
At 30 June 2018 (unaudited)	277,969	1,026,910	30,626	1,264	10,603	1,054,095	3,293	5,223	(1,645,852)	764,131	15,052	779,183

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Net cash used in operating activities		(31,279)	(28,409)
Investing Activities			
Interest received		274	8
Purchase of property, plant and equipment		(205)	(317)
Purchase of intangible assets		—	(5,341)
Repayment of loan receivable		4,774	3,733
Net cash from (used in) investing activities		4,843	(1,917)
Financing Activities			
Proceeds from issue of shares	13 & 14	—	2,968
Advance from borrowings		7,110	17,300
Repayment of borrowings		(5,800)	(10,334)
Repayments of lease liabilities		(638)	—
Interest paid for lease liabilities		(188)	—
Net cash from financing activities		484	9,934
Net decrease in cash and cash equivalents		(25,952)	(20,392)
Cash and cash equivalents at 1 January		54,437	72,914
Effect of foreign exchange rate changes		(63)	(595)
Cash and cash equivalents at 30 June, representing bank balances and cash		28,422	51,927

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except certain properties and financial instruments which are measured at revalued amounts or fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the annual financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the application of HKFRS 16 *Leases*, the application of these new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties for its office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases (Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The Group assesses all contracts entered into or modified on or after 1 January 2019 and considers the contracts for leased properties for office premises met the definition of a lease in accordance with the requirements set out in HKFRS 16.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised right-of-use assets at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Company chooses, on a lease-by-lease basis, to measure these right-of-use assets equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application.

The Group recognised lease liabilities of HK\$5,883,000 and right-of-use assets of HK\$5,915,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied are 5.03% and 6.78% in the People's Republic of China (the "PRC") and Hong Kong, respectively.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	10,832
Lease liabilities discounted at relevant incremental borrowing rates	10,485
Add: Extension options reasonably certain to be exercised	2,130
Less: Recognition exemption — short-term leases	(6,732)
Lease liabilities as at 1 January 2019	5,883
Analysed as	
Current	1,935
Non-current	3,948
	5,883

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

		At 1 January 2019
	Notes	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		5,883
Reclassified from other receivables	(a)	13
Adjustments on rental deposits at 1 January 2019	(b)	19
		<hr/> 5,915 <hr/>
By class:		
Buildings		<hr/> 5,915 <hr/>

Notes:

- (a) Before the application of HKFRS 16, the Group considered lease payments made at or before the commencement date as prepayments which were included in other receivables. Based on the definition of lease payments under HKFRS 16, such payments are payments relating to the right to use of the underlying assets and were adjusted to reflect the right-of-use assets. Accordingly, HK\$13,000 was adjusted to right-of-use assets.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$19,000 was adjusted to refundable rental deposits paid and right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16

Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current Assets			
Property, plant and equipment	181,422	5,915	187,337
Current Assets			
Trade and other receivables	312,903	(32)	312,871
Current Liabilities			
Lease liabilities	—	1,935	1,935
Non-current liabilities			
Lease liabilities	—	3,948	3,948

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE

Continuing operations

Disaggregation of revenue

For the period ended 30 June 2019:

Segments	Arts and	Winery	e-Commerce	Engineering	Total
	Cultural	Division	Division	Services	
	Division	Division	Division	Division	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Types of goods or services					
Sales of merchandise	—	1,431	65,896	—	67,327
Auction and related services	21,103	—	—	—	21,103
Marine engineering services	—	—	—	13,890	13,890
Tendering technical support services	—	—	—	14,100	14,100
Total	21,103	1,431	65,896	27,990	116,420
Timing of revenue recognition					
A point in time	4,083	1,431	65,896	14,100	85,510
Over time	17,020	—	—	13,890	30,910
Total	21,103	1,431	65,896	27,990	116,420

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE (Continued)

Continuing operations (Continued)

Disaggregation of revenue (Continued)

For the period ended 30 June 2018 (restated):

Segments	Arts and	Winery	e-Commerce	Engineering	Total
	Cultural			Services	
	Division	Division	Division	Division	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Types of goods or services					
Sales of merchandise	—	4,170	61,394	—	65,564
Auction and related services	22,417	—	—	—	22,417
Marine engineering services	—	—	—	1,947	1,947
Total	22,417	4,170	61,394	1,947	89,928
Timing of revenue recognition					
A point in time	10,344	4,170	61,394	—	75,908
Over time	12,073	—	—	1,947	14,020
Total	22,417	4,170	61,394	1,947	89,928

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION

The Group manages its businesses by divisions. The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM"), being the executive directors of the Company for the purposes of performance assessment and resources allocation.

Thus, the Group has four reportable operating segments as follows:

Arts and Cultural Division	—	mainly represents auction business, sales of antique, art financing business and Art Central Business District business
Winery Division	—	mainly represents operation of vineyard, production and sales of wine and related business
e-Commerce Division	—	mainly represents trading of merchandise (including electronic devices, cosmetics and other consumer products)
Engineering Services Division	—	mainly represents sales of vessels, provision of marine engineering services and tendering technical support services

Fintech Division, which was engaged in financial e-commerce business and provision of financial trading platform and solutions, was separately disclosed in the prior period. The division was disposed of on 28 December 2018 and the operating results was included in profit from discontinued operations. The segment information reported below does not include any amounts for the discontinued operations.

(a) Segment results, assets and liabilities

During the period ended 30 June 2019, 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 resulting from fair value upwards in business combinations ("Adjusted IA Amortisations"). No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (Continued)

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

Continuing operations

For the period ended 30 June 2019:

	Arts and Cultural Division HK\$'000 (unaudited)	Winery Division HK\$'000 (unaudited)	e-Commerce Division HK\$'000 (unaudited)	Engineering Services Division HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Reportable segment revenue:						
Revenue from external customers	21,103	1,431	65,896	27,990	—	116,420
Inter-segment sales	—	316	—	—	(316)	—
	21,103	1,747	65,896	27,990	(316)	116,420
Segment results*	1,142	(499)	(173)	11,811	—	12,281
Unallocated corporate expenses						(4,275)
Unallocated depreciation expenses						(875)
Unallocated amortisation expenses						(3,759)
Profit before taxation						3,372

* Segment results are before taxation and Adjusted IA Amortisations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (Continued)

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

Continuing operations (Continued)

For the period ended 30 June 2018 (restated):

	Arts and Cultural Division HK\$'000 (unaudited)	Winery Division HK\$'000 (unaudited)	e-Commerce Division HK\$'000 (unaudited)	Engineering Services Division HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Reportable segment revenue:						
Revenue from external customers	22,417	4,170	61,394	1,947	—	89,928
Inter-segment sales	—	—	198	—	(198)	—
	<u>22,417</u>	<u>4,170</u>	<u>61,592</u>	<u>1,947</u>	<u>(198)</u>	<u>89,928</u>
Segment results*	<u>8,671</u>	<u>336</u>	<u>(152)</u>	<u>(11,850)</u>	<u>—</u>	<u>(2,995)</u>
Unallocated other income						7
Unallocated loss arising from changes in fair value of contingent consideration payables						(180)
Unallocated corporate expenses						(25,094)
Unallocated depreciation expenses						(597)
Unallocated amortisation expenses						<u>(4,001)</u>
Loss before taxation						<u>(32,860)</u>

* Segment results are before taxation and Adjusted IA Amortisations.

Inter-segment sales are charged at prevailing market rates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group's operations are located in Hong Kong, the PRC and France.

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers for the six months ended 30 June 2019 and 2018 and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("Specified non-current assets") as at 30 June 2019 and 31 December 2018. The geographical location of property, plant and equipment is based on the physical location of the assets and the geographical location of goodwill and intangible assets are based on location of respective business operations.

	Revenue from external customers		Specified non-current assets	
	Six months ended		As at	
	30 June 2019	30 June 2018	30 June 2019	31 December 2018
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	106,432	78,508	108,592	111,832
PRC	9,977	11,420	260,226	261,387
France	11	—	28,364	29,135
	116,420	89,928	397,182	402,354

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Continuing operations		
Interest on loans	1,435	1,052
Interest on lease liabilities	188	—
	1,623	1,052

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(restated) (unaudited)
Continuing operations		
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	13,040	18,999
Contributions to defined contribution retirement plans	350	197
Share-based payment expenses	319	3,707
	13,709	22,903
(b) Marine engineering and related services costs		
Subcontracting, direct engineering and material costs	4,782	5,384
Direct overheads	123	249
Repairs, maintenance and vessel security costs	5,719	2,012
	10,624	7,645
(c) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	6,621	6,700
Amortisation of intangible assets	3,976	3,993
	10,597	10,693
(d) Other items (included in other operating expenses)		
Legal and professional fees	2,157	1,335
Secretarial and registration fees	238	397
Short-term lease payments	4,375	8,268

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

7. TAXATION

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (restated) (unaudited)
Continuing operations		
Current tax:		
Hong Kong	547	1,232
PRC	784	1,182
	1,331	2,414
Deferred tax	(940)	(998)
Income tax expense	391	1,416

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both current and prior periods. The PRC subsidiaries of the Group are subject to the PRC Enterprises Income Tax rate of 25% for both current and prior periods.

8. DIVIDENDS

No dividend was paid, declared or proposed during the period ended 30 June 2019 (six months ended 30 June 2018: nil). The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

9. EARNINGS (LOSS) PER SHARE

From continuing operations

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

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (restated) (unaudited)
Profit (loss) for the period attributable to owners of the Company	3,124	(33,740)
Adjust for:		
Profit for the period from discontinued operations	—	(394)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	3,124	(34,134)

	Six months ended 30 June	
	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	555,938	555,718
Effect of dilutive potential ordinary shares:		
Share options	2,509	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	558,447	555,718

For the six months ended 30 June 2018, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

9. EARNINGS (LOSS) PER SHARE (Continued)

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(restated)
	(unaudited)	(unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
(Profit (loss) for the period attributable to owners of the Company)	3,124	(33,740)

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operations

For the six months ended 30 June 2018, basic and diluted earnings per share from discontinued operations is HK0.07 cents per share, based on the profit for the period from discontinued operations of HK\$394,000. The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share from discontinued operations for the six months ended 30 June 2018 is 555,718,000. The computation of diluted earnings per share from discontinued operations for the six months ended 30 June 2018 does not assume the conversion of the Company's outstanding share options since their exercise would result in an immaterial impact on the earnings per share from discontinued operations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade receivables	61,317	31,075
Less: Allowance for credit loss	(1,209)	(1,143)
	60,108	29,932
Other receivables (<i>note a</i>)		
— Non-current portion	—	6,726
— Current portion	254,950	288,545
Less: Impairment losses	(5,574)	(5,574)
	249,376	289,697
	309,484	319,629

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables of the Group, net of allowance for credit loss, presented based on the invoice date, at the end of the reporting period is as follows:

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
0 – 30 days	27,477	9,379
31 – 90 days	10,387	7,558
91 – 180 days	10,459	2,505
181 – 360 days	8,510	5,975
Over 360 days	4,484	5,658
	61,317	31,075
Less: Allowance for credit loss	(1,209)	(1,143)
	60,108	29,932

Credit terms granted by the Group to customers generally range from 30 to 90 days.

Note a:

As at 30 June 2019, advances to consignors for auction business amounted to approximately HK\$224,943,000 (31 December 2018: HK\$259,944,000). The balance is secured by pledged auction items (high valued Chinese art collectibles and antiques) from consignors which will be offset from sales proceeds of auction items, and with fixed interest rates from 11% to 21.6% per annum. These advances to consignors for art financing business are either repayable upon the pledged auction items dealt through auction successfully or repayable within 12 months from date of advance in accordance with the respective agreements. As part of the Group's risk management policy, the amount advanced to consignors is less than 40% of the fair value of their pledged auction items.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

11. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade creditors	3,989	4,354
Accruals	4,933	8,953
Other payables	15,423	64,870*
	24,345	78,177

* As at 31 December 2018, included in the balance are other payables with carrying amount HK\$35,000,000 that the Group received from a third party to purchase target arts and cultural collectibles on behalf of a third party. The amount has been settled during the six months ended 30 June 2019.

The aging analysis of trade creditors, presented based on the invoice date, at the end of the reporting period is as follows:

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
0 – 30 days	434	1,014
31 – 90 days	276	307
91 – 180 days	675	642
181 – 360 days	558	235
Over 360 days	2,046	2,156
	3,989	4,354

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to HK\$7,110,000 (31 December 2018: HK\$26,650,000), and repaid borrowings amounting to HK\$5,800,000 (31 December 2018: HK\$11,147,000). The loans with carrying amount of HK\$56,444,000 at 30 June 2019 (31 December 2018: HK\$55,888,000) are carried at lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”). The remaining loan with carrying amount of HK\$2,190,000 at 30 June 2019 is carried at the HSBC’s Hong Kong Dollars Best Lending Rate plus 1%. The proceeds were used for working capital and other general purposes.

13. SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares of HK\$0.50 each ‘000	HK\$’000
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	5,000,000	2,500,000
Issued and fully paid:		
At 1 January 2018	555,138	277,569
Exercise of share options (<i>Note</i>)	800	400
At 31 December 2018, 1 January 2019 and 30 June 2019	555,938	277,969

Note:

During the year ended 31 December 2018, share options to subscribe for 800,000 shares of HK\$0.50 each were exercised at HK\$3.71 per share. These shares rank pari passu with other shares in issue in all respect.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

Details of share options outstanding as at 30 June 2019 under the 2012 Scheme are as follows:

Date of grant	Exercise period	Exercise price HK\$ per share	Share closing price immediately before date of grant HK\$ per share
28 January 2016	28 January 2017 to 27 January 2026	3.000	3.000
21 December 2016	21 December 2017 to 20 December 2026	3.710	3.610
4 September 2017	4 September 2018 to 3 September 2027	4.814	4.750
4 January 2019	4 December 2019 to 3 January 2029	3.902	3.900

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

Vesting Date	Percentage of share options to vest
First anniversary of the date of grant/ 11 month-period 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

The following tables set out the movement of the number of share options granted under the 2012 Scheme for the six months ended 30 June 2019 and 2018:

Eligible participants	Date of grant	Exercise Price HK\$	Number of share options					Outstanding at 30 June 2019
			Outstanding at 1 January 2019	Granted	Forfeited/ cancelled		Expired	
					Exercised			
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 Allan	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 (resigned on 1 May 2019)	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 participant(s)	28 January 2016	3.000	2,400,000	—	—	(300,000)	—	2,100,000
Other eligible participant(s)	21 December 2016	3.710	2,200,000	—	—	(2,000,000)	—	200,000
Other eligible participant(s)	4 January 2019	3.902	—	750,000	—	—	—	750,000
Total			17,600,000	750,000	—	(2,550,000)	—	15,800,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

Eligible participants	Date of grant	Exercise Price HK\$	Number of share options					Outstanding at 30 June 2018
			Outstanding at 1 January 2018		Forfeited/ cancelled/ Expired			
			Granted	Exercised	Granted	Exercised	Expired	
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 Allan	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 participant(s)	28 January 2016	3.000	5,300,000	—	—	—	—	5,300,000
Other eligible participant(s)	21 December 2016	3.710	4,300,000	—	(800,000)*	(240,000)	—	3,260,000
Total			22,600,000	—	(800,000)	(240,000)	—	21,560,000

* The weighted average closing price of the shares immediately before the dates on which the options were exercised during the period was HK\$4.70.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. 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 January 2019	4 September 2017	21 December 2016	28 January 2016
Fair value option at measurement date	HK\$1.50 to HK\$2.14	HK\$2.35 to HK\$2.40	HK\$1.70 to HK\$1.80	HK\$1.36 to HK\$1.53
Exercise price	HK\$3.902	HK\$4.814	HK\$3.710	HK\$3.000
Expected volatility	74%	43.37%	43.63%	43.56%
Option life	10 years	10 years	10 years	10 years
Risk-free interest rate	1.840%	1.387%	2.008%	1.686%
Early exercise multiple	other eligible participants: 1.3x	Directors: 2.8x	other eligible participants: 2.2x	Directors: 2.8x/other eligible participants: 2.2x
Expected dividend yield	Nil	Nil	Nil	Nil

At 30 June 2019, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the 2012 Scheme was 15,800,000 (30 June 2018: 21,560,000), representing 2.84% (30 June 2018: 3.88%) of the shares of the Company in issue.

The Group recognised approximately HK\$319,000 (six months ended 30 June 2018: HK\$3,707,000) share-based payment expenses during the six months ended 30 June 2019 in relation to share options granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

Key management personnel remuneration

The directors of the Company are considered as key management personnel of the Group. The remuneration of members of key management personnel during the periods were as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	3,015	3,363
Share-based payment expenses	1,004	3,215
Contributions to defined contribution retirement plans	18	14
	4,037	6,592

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 16 July 2019, the Company entered into a subscription agreement with Ion Tech Limited (the "Subscriber") under which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for 111,187,538 new shares at the subscription price of HK\$5.3873 per subscription share (the "Subscription"). The Subscription was completed on 28 August 2019. The net proceeds from the Subscription (after deducting related professional fees and related expenses) were approximately HK\$597.0 million. Further details of the Subscription are set out in the Company's announcements dated 16 July 2019 and 28 August 2019.