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 2018

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 Allan
(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. 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 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

Lu Jianzhong

Chairman

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 2018.

FINANCIAL RESULTS

During the year under review, the Group recorded a total revenue from continuing operations of approximately HK$149.8 million (2017: approximately HK$168.3 million). The net loss attributable to owners of the Company was approximately HK$126.9 million (2017: loss of approximately HK$63.9 million). The Board does not recommend the payment of a dividend for the year ended 31 December 2018.

BUSINESS REVIEW

Over the past year of 2018, there has been a continuous increase in economic uncertainties due to the Sino-US trade friction, the measures of shifting from the fictitious economy to the real economy and the de-leveraging policy in the domestic financial market in Mainland China, bringing various challenges to private enterprises and investors. In response to these circumstances, the Group actively focused on and streamlined its existing businesses by adjusting the business portfolios through exploring new businesses with potential development and the possibilities for the Company's sustainable development in the future.

Chairman's Statement

During the year, our auction company hold 5 auctions in Hong Kong and Mainland China. Due to China's economic climate, coupled with tougher cultural heritage management policies and lack of capital in the market, the overall business environment of auction was confronted with considerable challenges. The auction company of the Group has enhanced the effort in and expanded the scope of finding auctioned items. Apart from the prestiguous antique in China, auctions exclusively for collections of ancient Chinese documents, contemporary arts of calligraphy works and oil paintings as well as modern paintings and calligraphy were held, which featured a vast selection of rare and precious collectables with well-documented origins. We also strengthened our post-auction review such as enhancing the database management in customers' personas and information from their preferences, laying a solid foundation for our analysis and plans for future auctions. Moreover, we have been continuously optimizing the synergy effect from collaborative development of industry and art financing to enhance related credit and risk management. While the DTXS Hong Kong ACBD Center hosted a number of exhibitions on artworks and paintings with many renowned contemporary artists, it also acted as the venue of our auctions, contributing both resources and customer streams to the auction business. In respect of the financial e-commerce business of the Group, the tightening of foreign exchange control and policies implemented in the bullion exchange in Mainland China, thereby causing significant impacts on various aspects of our financial e-commerce sector. Therefore, the Group has actively implemented adjustment policies to adapt to the changes in the business environment. We suspended our investment in two projects in this business unit and decisively completed the disposal of the entire equity interests in m-finance by the end of the year, with a view to minimizing our losses and solidifying the Group's liquidity and its overall financial position. In terms of the e-Commerce business, the focus of this unit is to proactively strengthen the sales volume and profit margin of each major sales channel. Our vineyard will continue to improve the quality of red wine produced, strengthen the cooperation with the Group's e-Commerce business as well as explore and optimize our sales channels. In addition, the Group gradually retreated its non-core engineering business.

FUTURE OUTLOOK

Looking ahead to 2019, uncertainties is likely to be the norm in the market. The parent company of DTXS has three flag brands — DTXS, cultural museum and Chamber of Commerce. They are the reason why we persist to work on our cultural self-confidence and develop the cultural career and industry, and the target we devote ourselves to reach for the construction of Belt and Road. In 2019, the Group's major work will be focused on the core business with advantages by optimizing its strategic portfolio and business integration, such as auction and art financing business. Meanwhile, supported by the parent's strengths in various aspects such as cultural property resources, cultural fairs and arts and banking and finance, we are actively pursuing sustainable high-quality assets in line with the Group's strategic development, to strengthen the sustainable model of dynamic integration of light and heavy cultural assets, complement each business segment and create synergy in between. The Company will continue to facilitate its cost reduction and efficiency improvement measures, establish and enhance the internal control management, increase the standardized, professional and refined level of work, and strengthen the corporate governance and overall management.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, partners and customers for their strong support, and express our sincere gratitude to all of our management team and employees for their endeavors and contribution to the Group. The Group will create more value for the shareholders, partners, customers and employees through condensing the wisdom and efforts of the team and strengthening its confidence for development.

Lu Jianzhong
Chairman

29 March 2019

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

The Group's revenue from continuing operations recorded approximately HK$149.8 million (2017: HK$168.3 million), representing a decrease of 11.0% as compared with 2017, which was mainly due to the decrease in revenue from the provision of marine engineering services. Loss was approximately HK$128.9 million for the year (2017: HK$64.8 million), increased by 98.9% as compared with 2017.

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$40.1 million (2017: HK$42.7 million) and the segment loss before taxation and amortisation of intangible assets acquired in business combination ("Segment Loss") was approximately HK$2.6 million (2017: profit of approximately HK$19.4 million).

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 2018, two large scale auctions were held in Hong Kong, one large scale auction held in Beijing and two special collection auctions held in Xian.

Our Hong Kong auctions were held in May and November 2018 at our DTXS Hong Kong ACBD center. The auctions 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.

Although the arts and antique industry pursued a renewed growth throughout the year, collecting auction items from collectors remain the most difficult task. The auction prepayments and art financing business have been made functional during the year. This business provides more flexibility to our auction participants and derives additional income source for the Group.

The Group's commission income generated from the auction business recorded an apparent decrease for the year ended 31 December 2018, which was mainly caused by the economic downturn and policy tightening in the People's Republic of China (the "PRC"). Thus, impairment provision has been made on goodwill in respect of its auction business for the year ended 31 December 2018. The Directors have consequently determined an impairment of goodwill related to the Group's auction business for an amount of HK$36,000,000. Such impairment loss was non-cash in nature and does not affect the Group's cash flow condition.

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.

* *For identification purpose only*

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	25,000,000
(the "First Guaranteed Period")	(the "First Profit Guarantee")
1 July 2017 to 30 June 2018	35,000,000
(the "Second Guaranteed Period")	(the "Second Profit Guarantee")
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 years ended 31 December 2017 reflected in the audited consolidated financial statements of the Company for the years ended 31 December 2016 and 2017, the Net Profit for the First Guaranteed Period is expected to be lower than the First Profit Guarantee. Also, based on the financial results of CKSLF for the years ended 31 December 2017 and 2018 reflecting in the audited consolidated financial statements of the Company for the years ended 31 December 2017 and 2018, the Net Profit for the Second Guaranteed Period is expected to be lower than the Second 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

The Company has established two ACBD centers in Xian City 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.

Two auctions were held in the DTXS Hong Kong ACBD center during the year. The center also collaborated with a Chinese water painting artist Mr. Fan Fan who brought more varieties to the auction. Various art events took place in DTXS Hong Kong ACBD center during the year such as cooperated with a renowned Hong Kong jewellery brand for its exhibition, painting exhibitions etc. The center aims to create a strong network with other art and culture partners to host events and networking.

Winery Division

This division contributed a segment revenue of approximately HK$6.1 million (2017: HK$1.2 million), and a Segment Loss of approximately HK$1.7 million (2017: HK$5.3 million).

The vineyard had a good harvest in September 2018, while working on diversifying distribution channels in both Hong Kong and China. Also, we are cooperating with a licencee to develop a wine label to expand our sales channel.

e-Commerce Division

This division contributed a segment revenue of approximately HK$90.2 million (2017: HK$46.5 million), and a Segment Loss of approximately HK$0.6 million (2017: HK$0.8 million).

Aiming at developing as a global cross-border e-commerce, e-Commerce Division is currently cooperating with a major airline as their inflight sales provider. Through a large product range with various electronic and cosmetic products, e-Commerce Division has been licensed over 100 brands with over 600 products during the year. In addition, by cooperating with e-commerce platform from both local and overseas, and with more airline companies joining our program, sales volume and margin were increased compared with the last year.

Engineering Services Division

This division contributed a segment revenue of approximately HK$13.9 million (2017: HK$77.8 million), and a Segment Loss of approximately HK$24.9 million (2017: HK$13.0 million).

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

Fintech Division

For the year ended 31 December 2018, a segment revenue of approximately HK$29.6 million (2017: HK$35.2 million), and a Segment Loss of approximately HK$0.9 million (2017: profit of approximately HK$0.2 million) were recorded.

Due to the weak global financial market sentiment and tightening government regulations to the commodity future exchanges, DTXS Technologies Limited ("DTXS Technologies"), a non-wholly owned subsidiary which the Company indirectly owned 85% equity interest entered into a Memorandum of Understanding in respect of disposal of its entire equity interests in Digital Mind Holdings Limited and its subsidiaries on 14 December 2018, which carried out all of the Group's financial trading platform and solutions operation. The disposal was completed on 28 December 2018. Such disposal provided an appropriate opportunity for the Company to realise its investment in the financial information business and focus on the art and cultural business as well as further room to explore other business opportunities leveraging on the strength of our parent group.

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, Metallic Icon Limited (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(s)") 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 ("2017 Profit Guarantee")
1 January 2018 to 31 December 2018 (the "2018 Guaranteed Period")	9,000,000 ("2018 Profit Guarantee")
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:

$$A = HK\$4,000,000 - (HK\$10,000,000 - B) \times 12/18 \times 6$$

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 (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 was met. The First Adjusted Consideration Payment of HK$4,000,000 has been settled with the m-Finance Vendor during the year.

Based on the financial results of m-Finance for the year ended 31 December 2018, the Net Profit for the 2018 Profit Guaranteed Period has below HK$9,000,000 and therefore the 2018 Profit Guarantee would not be met. As such, the Company is expected not to pay the Second Adjusted Consideration Payment of HK$4,000,000 to the m-Finance Vendor.

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") as detailed below) 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 following Reductions:

(a) approximately HK$5,000,000 upon expiry of 9 months after Completion subject to any reductions as calculated in accordance with the formulae as stated below (the "1st Reduced Consideration Payment"); and

(b) approximately HK$11,243,000 upon expiry of 18 months after Completion subject to any reductions as calculated in accordance with the formulae as stated below (the "2nd Reduced Consideration Payment").

The Reductions shall be calculated in the following manner:

(a) 1st Reduced Consideration Payment = HK$5,000,000 – (HK$4,000,000 – Second Adjusted Consideration Payment)

(b) 2nd Reduced Consideration Payment = HK$11,243,000 – (HK$4,000,000 – Final Adjusted Consideration Payment)

Since the 2018 Profit Guarantee would not be met, the Company is expected not to pay the Second Adjusted Consideration Payment of HK$4,000,000 to the m-Finance Vendor. The Disposal's Consideration would be reduced as mentioned above. Further announcement(s) will be made by the Company in relation to the Adjusted Total Consideration as and when appropriate.

OUTLOOK

The year of 2019 will be full of uncertainties, such as the hiking of US interest rates and the slow down of global growth as well as geo-political tensions. Also, China government declined the estimated GDP growth of 6% in 2019, it is expected to be a challenging year.

In 2019, the Group will focus on its development strategy and promote high-quality development through reform and look for additional development opportunities with a view to creating synergy among our divisions. Furthermore, we will be actively exploring and capture opportunities from our parent company through promotion on Silk Road and work closely with Silk Road Chamber of International Commerce. The management shall continue to leverage on the parent company business network and capture growth opportunities. This includes partnering with the parent company and/or further acquiring assets with cultural elements from the parent company.

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, 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

As at 31 December 2018, the Group's total bank balances and cash amounted to HK$54.4 million, which was denominated mainly in Hong Kong Dollars (36%) and Renminbi (55%), representing a decrease of HK$18.5 million as compared with 2017. The decrease was mainly attributable to the additional financial resources deployed in the auction prepayments and art financing business during the year.

As at 31 December 2018, the Group had outstanding secured borrowings of HK$0.6 million and unsecured borrowings of HK$55.3 million (2017: HK$0.6 million and HK$37.5 million, respectively). The total amount of borrowings of HK$55.9 million (2017: HK$38.1 million) was repayable within one year.

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 2017 and 2018 summarised below:

Uses	Original allocation HK$ million	As at 31 December 2016 Remaining balance HK$ million	For the year ended 31 December 2017 Utilised HK$ million	For the year ended 31 December 2017 Remaining balance HK$ million	**For the year ended 31 December 2018 Utilised HK$ million**	**For the year ended 31 December 2018 Remaining balance HK$ million**
Repayment of loans	48.0	7.1	7.1	—	**—**	**—**
Development of online marketplace for arts and collections	80.0	38.0	26.0	12.0	**4.0**	**8.0** *(Note)*
Acquisition of inventories for the online marketplace platform	107.4	8.4	8.4	—	**—**	**—**
Expansion of the operation scale of the Group	36.0	5.4	5.4	—	**—**	**—**
Acquisitions for arts and cultural related business	148.9	—	—	—	**—**	**—**
Total	420.3	58.9	46.9	12.0	**4.0**	**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 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.

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 8.5% as at 31 December 2018 (2017: 4.8%).

CAPITAL COMMITMENT

As at 31 December 2018, the Group did not have material capital commitments.

SUBSEQUENT EVENT

No significant events took place subsequent to 31 December 2018.

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 31 December 2018. Income and expense items are translated at the average exchange rates for the year ended 31 December 2018. Exchange loss arising from the translation of foreign operations of HK$20.5 million (2017: exchange gain of HK$30.8 million) for the year are recognised in other comprehensive income 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 owners of the Company are reclassified to profit or loss.

HUMAN RESOURCES

As at 31 December 2018, other than outsourcing vendors but including contract workers, the Group has approximately 84 employees (2017: 169) 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.

HEDGING, ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, the Group did not (i) employ any financial instruments for hedging purposes; (ii) undertake any material acquisitions or disposals of assets, business or subsidiaries; or (iii) make any significant investments.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have significant contingent liabilities.

DIRECTORS

Executive Directors

Mr. Lu Jianzhong ("Mr. Lu"), aged 55, 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 The National Private Museums Organization (全國非國有博物館協作體); 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 56, 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 52, was appointed as an Executive Director and the Chief Executive Officer of the Company on 7 August 2017 and appointed as a member of 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 chairman of Industry Development Committee of Hong Kong Society of Artificial Intelligence and Robotics and the founding member of China Mergers and Acquisitions Association (Hong Kong) Limited.

* *For identification purpose only*

Mr. Wong Kwok Tung Gordon Allan ("Mr. Wong"), aged 44, was appointed as an Executive Director of the Company on 29 July 2015 and the Chief Executive Officer and a member of the remuneration committee of the Company on 2 November 2015. He was subsequently re-designated from the Chief Executive Officer to the Deputy Chief Executive Officer on 7 August 2017 and resigned as a member of the remuneration committee of the Company on 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.

Non-executive Directors

Mr. Wang Shi ("Mr. Wang"), aged 70, 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 (魯迅與他的小説), Wreaths at the Foot of the Mountain (adaptation) (高山下的花環), In That Place Wholly Faraway (在那遙遠的地方) and Dunhuang Tales of the Night (敦煌夜譚).

Mr. Jean-Guy Carrier ("Mr. Carrier"), aged 73, 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 2011 to 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 58, 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. He is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada and the Chartered Professional Accountants of Canada. He is a co-founder of a Hong Kong merchant banking firm and is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) in Accounting from the University of Kent, England. Mr. Cheng had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and with Swiss Bank Corporation (now known as UBS AG) in Toronto.

Mr. Cheng is also an independent non-executive director of 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), Liu Chong Hing Investment Limited (stock code: 194), Miricor Enterprises Holdings Limited (stock code: 1827), 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 66, was appointed as an Independent Non-executive Director and member of audit committee of the Company on 8 December 2015. Ms. Fan graduated from the University of Hong Kong with Honours degree in Science. She received a Master in Public Administration from Harvard University and was named a Littauer Fellow. She also has a Master 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 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 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) (appointed on 1 April 2018) and Nameson Holdings Limited (stock code: 1982), which are companies listed in Hong Kong and an external director of China Resources (Holdings) Co., Ltd.. Ms. Fan was the chairperson of the Hong Kong Science and Technology Parks Corporation from July 2014 to June 2018.

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 69, 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. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science and holds a Master of Engineering in Industrial Engineering. He completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission prior to joining The Stock Exchange of Hong Kong Limited in 1994 as an executive director of the Finance and Operations Services Division and became the chief executive in 1997. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002.

Mr. Tsui is currently the director of WAG Worldsec Management Consultancy Limited, an independent non-executive director of a number of listed public companies including COSCO SHIPPING International (Hong Kong) Co., Ltd. (stock code: 517), Hua Medicine (stock code: 2552) (appointed on 14 September 2018), Pacific Online Limited (stock code: 543), all of which are listed in Hong Kong, 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 Power International Development Limited (Stock code: 2380) from March 2004 to December 2016, Summit Ascent Holdings Limited (stock code: 102) from March 2011 to September 2018 and Kangda International Environmental Company Limited (stock code: 6136) from October 2013 to April 2019, all companies are listed in Hong Kong.

Mr. Tse Yung Hoi ("Mr. Tse"), aged 66, 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), China Tower Corporation Limited (stock code: 788) (appointed on 3 May 2018), 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) (appointed on 16 January 2018), all companies are listed in Hong Kong. He also serves as an independent non-executive director of Shenzhen Qianhai Financial Holdings Company Ltd and Banco Well Link, S.A. (appointed on 30 June 2018). He was an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993), which is listed in Hong Kong, from October 2015 to June 2016 and China Life Insurance (Overseas) Company Limited for the period from January 2010 to March 2016. Mr. Tse was awarded the Bronze Bauhinia Star (BBS) by the government of HKSAR in 2013.

SENIOR MANAGEMENT

Mr. Tang Man Joe ("Mr. Tang") was appointed as the Company Secretary and the Chief Financial Officer of the Company on 18 September 2018 and 30 September 2018, respectively. He has over 20 years of experience in overseeing and handling finance matters, company secretarial matters, corporate finance projects and mergers and acquisitions, as well as maintaining investor relations and corporate compliance matters. Mr. Tang graduated from University of Wisconsin-Madison with a bachelor's degree in business administration. He is a member of the American Institute of Certified Public Accountants and also a member of Hong Kong Institute of Certified Public Accountants.

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 2018.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) auction business and arts and collections related business; (ii) operation of vineyard, production and sales of wine and related business; (iii) financial e-commerce business; (iv) trading of merchandise; and (v) 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 5 and the section headed "Management Discussion and Analysis" on pages 6 to 14 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 40 to 46 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 2018 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 52 to 151 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

DIVIDEND POLICY

The Company has adopted a dividend policy. The Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to any restrictions under the applicable laws and regulations and the bye-laws of the Company (the "Bye-Laws"). The Board will review such policy as appropriate from time to time.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's five largest customers in aggregate was 53% (2017: 48%) of the total revenue of the Group and the largest customer included therein amounted to 25% (2017: 23%).

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate was 67% (2017: 35%) of the total purchases of the Group and the largest supplier included therein amounted to 34% (2017: 26%).

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 7 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial years/period is set out on page 152 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 56 and 57 and Note 41 to the consolidated financial statements respectively.

NON-CURRENT ASSETS

Details of the Group's other movements in non-current assets (including property, plant and equipment, intangible assets and goodwill) during the financial year are set out in Notes 18 to 20 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in Note 40 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group are set out in Note 28 to the consolidated financial statements.

MAJOR PROPERTY HELD

The following table sets out the particulars of the major property held by the Group for the year ended 31 December 2018:

Location	Approximate gross floor area (sq.m.)	Group's interest (%)	Land use	Leasehold term
1st floor shop section, 5th floor function room section and 6th floor exhibition section, Tang Dynasty West Market Hotel No. 118, South Labor Road, Xian City, the PRC	3,408.53	100	Commercial, hotel catering and exhibition centre and function room	Medium

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)*
Mr. Wong Kwok Tung Gordon Allan *(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

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 15 to 18 of this annual report.

In accordance with Bye-laws 99(A) and 182(vi) of the Bye-Laws, Mr. Yang Xingwen, Mr. Wong Kwok Tung Gordon Allan, Mr. Jean-Guy Carrier and Mr. Cheng Yuk Wo will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "2019 AGM").

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 of Hong Kong Limited (the "Stock Exchange") and the Company considers that all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Cheng Yuk Wo has entered into a renewed letter of appointment commencing from 2 November 2018 with the Company for a further term of three years. Also, each of Mr. Lu Jianzhong, Mr. Yang Xingwen, Mr. Wang Shi, Mr. Jean Guy-Carrier, Ms. Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec has respectively entered into a renewed letter of appointment commencing from 8 December 2018 with the Company for a further term of three years. The letters of appointment may be terminated in accordance with the respective terms of the letters of appointment.

None of the Directors proposed for re-election at the 2019 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).

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change(s) in information of the Director(s) subsequent to the date of the 2018 interim report of the Company is as follows:

Mr. Tsui Yiu Wa, Alec, an Independent Non-executive Director, was resigned as an independent non-executive director, the chairman of the remuneration and corporate governance committees and a member of the audit and nomination committees of Summit Ascent Holdings Limited (stock code: 102) on 28 September 2018, resigned as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Kangda International Environmental Company Limited (stock code: 6136) on 4 April 2019 and appointed as an independent non-executive director of Hua Medicine (stock code: 2552) on 13 August 2018.

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 during the financial year.

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 2018, 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

Name of Director	Number of ordinary shares of HK$0.50 each and nature of interests Personal interests	 Corporate interests	Number of share options[2] Personal interests	Total interests	Approximate percentage of shareholding[3]
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	—	—	250,000	250,000	0.04%
Mr. Tsui Yiu Wa, Alec	—	—	250,000	250,000	0.04%
Mr. Tse Yung Hoi	—	—	250,000	250,000	0.04%

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 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 the section headed "Share Option Scheme" in this Directors' Report.

3. The total number of issued shares was 555,937,692 as at 31 December 2018.

(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 2018, 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 2018, 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	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 was 555,937,692 as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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 47,463,590 shares, representing approximately 10% of the issued shares as at 2 June 2016, 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 13,013,590 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2012 Scheme, which represented approximately 2.34% 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 2018 and the outstanding share options at the beginning and end of the year:

Eligible participants	Date of grant	Exercise price per share (HK$)	Exercise Period[2]	Number of share options At 1 January 2018	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2018
(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 Allan	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				13,000,000	—	—	—	13,000,000
(b) Employees in aggregate	28/01/2016	3.000	28/01/2017 to 27/01/2026	3,800,000	—	—	2,900,000	900,000
	21/12/2016	3.710	21/12/2017 to 20/12/2026	4,150,000	—	800,000	1,150,000	2,200,000
Sub-total				7,950,000	—	800,000	4,050,000	3,100,000
(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	—	—	150,000	1,500,000
Total				22,600,000	—	800,000	4,200,000	17,600,000

Notes:

1. 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

2. In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$4.80.

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

CONNECTED TRANSACTIONS

The following transactions constituted the connected transactions of the Company under the Listing Rules during the financial year ended 31 December 2018 and up to the date of this annual report:

On 1 December 2017, Best Merit Global Limited, a wholly-owned indirect subsidiary of the Company, entered into a memorandum of understanding (the "MOU") with Fair Luck Investments Limited, a wholly owned subsidiary of Da Tang Xi Shi International Group Limited, 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 of 100% of the equity interest of a target company (the "Proposed Acquisition") which is a wholly-owned subsidiary of Fair Luck Investments Limited, principally engaged in businesses of property marketing and leasing agency services, property consultancy and management, cultural business promotion, and other related services. On 1 June 2018, the MOU has lapsed and accordingly, the MOU ceased to have any effect and none of the parties to the MOU will have any claim against the other except for any antecedent breaches.

On 14 December 2018, DTXS Technologies, which the Company indirectly owned 85% equity interest, entered into a memorandum of understanding with Metallic Icon Limited in respect of the disposal of 100% of the equity interest of Digital Mind Holdings Limited, a wholly-owned subsidiary of DTXS Technologies (the "Disposal") at a Disposal's Consideration of HK$48,000,000 (subject to 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. Metallic Icon Limited has 15% equity interest in the DTXS Technologies, which is a non-wholly owned subsidiary of the Company. As such, Metallic Icon Limited is considered as a connected person at the subsidiary level of the Company. The Disposal was completed on 28 December 2018.

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 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.

Deloitte will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the 2019 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR 2019 AGM

The annual general meeting of the Company will be held on Thursday, 30 May 2019 (the "2019 AGM"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Friday, 24 May 2019.

On behalf of the Board

Lu Jianzhong
Chairman

Hong Kong, 29 March 2019

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 for the year ended 31 December 2018, 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 2018.

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)*
Mr. Wong Kwok Tung Gordon Allan *(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

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 15 to 18 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 Allan 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 judgment and their views on the strategic decisions, directions, and financial and risk management of the Company. They also provide independent and objective opinions to the Board, give adequate checks and balances to protect the overall interests of the Shareholders and the Group. Throughout the year, the Board consists of four Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors 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 Bye-Laws, Mr. Yang Xingwen, Mr. Wong Kwok Tung Gordon Allan, Mr. Jean-Guy Carrier and Mr. Cheng Yuk Wo will retire from office by rotation and, being eligible, offer themselves for re-election at the 2019 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 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.

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 2017 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 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; and 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 Allan 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 Allan, 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 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 14 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 is the chairman and 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.

The Board has adopted the Director nomination policy on 13 December 2018. 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 30 May 2018; and to propose and make recommendation to the Board for appointment of Mr. Lai Kim Fung as the member of Remuneration Committee in place of Mr. Wong Kwok Tung Gordon Allan. In addition, written resolutions were passed by all members of the Nomination Committee and recommendations were made to the Board as and when needed.

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; and 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 an annual general meeting on 30 May 2018. The attendance record of individual Director at the Board meetings, Board Committees meetings and the general meeting 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)*	0/4	N/A	0/1	N/A	0/1
Mr. Yang Xingwen	4/4	N/A	N/A	N/A	0/1
Mr. Lai Kim Fung *(Chief Executive Officer)*	4/4	N/A	N/A	1/1	1/1
Mr. Wong Kwok Tung Gordon Allan *(Deputy Chief Executive Officer)*	4/4	N/A	1/1	1/1	1/1
Non-executive Directors					
Mr. Wang Shi	2/4	N/A	N/A	N/A	0/1
Mr. Jean-Guy Carrier	3/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Cheng Yuk Wo	4/4	3/3	1/1	1/1	1/1
Ms. Fan Chiu Fun, Fanny	4/4	3/3	N/A	N/A	1/1
Mr. Tsui Yiu Wa, Alec	4/4	3/3	1/1	1/1	1/1
Mr. Tse Yung Hoi	4/4	N/A	N/A	N/A	1/1

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 was resigned as the Company Secretary of the Company and Mr. Tang Man Joe ("Mr. Tang") was appointed as the Company Secretary of the Company both with effect from 18 September 2018. Mr. Tang is a full-time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, Mr. Tang has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Tang are set out in the section headed "Biographical Details of Directors and Senior Management" on page 18 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 2018. 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 47 to 51 of this annual report.

Auditor's Remuneration

The external auditor of the Company is 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 services for annual financial statements	1,770
Other audit services	1,348
Risk management and internal control review, interim financial review and financial advisory services	821

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 Company's principal place of business 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 a 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 any number of Shareholders 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.

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 Bye-Laws. The Shareholder should deposit a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected and the information as required to be disclosed under the relevant rules of the Listing Rules and the Bye-Laws as prevailing from time-to-time at the Company's principal place of business in Hong Kong for the attention of the Company Secretary at least seven days before the date of the 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 the deposit of the 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 Company's memorandum of association and the Bye-Laws 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 code provisions (the "Code") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, 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 30 May 2018 ("2018 AGM") due to other business matters overseas, the Executive Director and chief executive officer of the Group chaired the 2018 AGM on behalf of the Chairman pursuant to the bye-laws of the Company and was available to answer questions. The chairman of Audit Committee and chairman of Remuneration Committee also attended the 2018 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, one Non-executive Director was absent from the 2018 AGM. Other Non-executive Directors and Independent Non-executive Directors had attended the 2018 AGM to ensure effective communication with Shareholders..

Environmental, Social and Governance Report

DTXS Silk Road Investment Holdings Company Limited ("DTXS") and M-Finance Limited ("m-Finance"), together with their subsidiaries (collectively, the "Group") present the Environmental, Social and Governance Report ("ESG Report", or the "Report") of the financial year 2018 ("FY 2018"). The Report focuses on aspects that have been identified as material to the Group's business and its key stakeholders. This Report outlines the Group's commitment and actions on corporate social responsibility, which the Group regards as an important value to its business operations.

The ESG Report is written in accordance to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited. The ESG Report provides a holistic overview of the Group's sustainability performance and corporate social responsibility between 1 January 2018 and 31 December 2018 ("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, accounting as well as the executive office. For the reporting period, the scope includes 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 of the financial year 2017 ("FY 2017") are shown where appropriate.

1. ENVIRONMENTAL

The Group is committed to minimize its environmental impacts by responsibly managing its business, reducing its carbon footprint and using resources effectively.

1.1 Emissions

Greenhouse gas (GHG) emissions are categorized 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

As a service-based business, the daily operations from the back office are the main source of emissions for the Group. The Group does not own equipment that causes direct emissions (Scope 1). As a result, no air pollutants, including nitrogen oxides (NO_X), sulphur oxides (SO_X) and particulate matter (PM), were emitted.

Consequently, the Group does not violate any relevant laws and regulations set under the Air Pollution Control Ordinance. The Group's environmental footprint mainly comprised of greenhouse gas emissions from electricity consumption (Scope 2), office paper usage, water consumption and business air travel (Scope 3).

Furthermore, the Group did not result in significant greenhouse gas emissions, waste discharges into water and land, and generation of hazardous and non-hazardous waste.

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

	DTXS			
	FY 2018 data (in tons of CO_2 equivalent)	**Percentage**	FY 2017 data (in tons of CO_2 equivalent)	Percentage
Scope 1:				
• N/A	**—**	**—**	—	—
Total:	**—**	**—**	—	—
Scope 2:				
• Electricity Consumption	**14.29**	**70.53%**	15.39	51.90%
Total:	**14.29**	**70.53%**	15.39	51.90%
Scope 3:				
• Office Paper Usage	**2.32**	**11.45%**	1.75	5.90%
• Use of Fresh Water[1]	**0.02**	**0.10%**	0.01	0.04%
• Business Air Travel	**3.63**	**17.92%**	12.50	42.16%
Total:	**5.97**	**29.47%**	14.26	48.10%
Grand Total:	**20.26**	**100%**	29.65	100%

During the reporting period, DTXS's total greenhouse gas emissions was 20.26 tons of CO_2 equivalent ("CO_2e"), in which electricity consumption accounted for 70.53% of the total emissions (18,090 kWh). 17.92% of greenhouse gas emissions derived from employees' business air travel also contributed to the overall emissions.

1 Use of fresh water for DTXS during the reporting period: $59.1m^3$

The total emission was lower than last year by 31.67% (FY 2018: 20.26 tons of CO_2e; FY 2017: 29.65 tons of CO_2e), which was benefited by fewer business air travels during the year.

	m-Finance			
	FY 2018 data (in tons of CO_2 equivalent)	**Percentage**	FY 2017 data (in tons of CO_2 equivalent)	Percentage
Scope 1:				
• N/A	—	—	—	—
Total:	—	—	—	—
Scope 2:				
• Electricity Consumption	**56.78**	**94.22%**	60.22	88.93%
Total:	**56.78**	**94.22%**	60.22	88.93%
Scope 3:				
• Office Paper Usage	**0.98**	**1.63%**	0.69	1.02%
• Use of Fresh Water[2]	—	—	—	—
• Business Air Travel	**2.50**	**4.15%**	6.81	10.05%
Total:	**3.48**	**5.78%**	7.50	11.07%
Grand Total:	**60.26**	**100%**	67.72	100%

During the reporting period, m-Finance's total greenhouse gas emissions was 60.26 tons of CO_2e, in which electricity consumption (71,869kWh), which mainly derived from information technology ("IT"). operations, accounted for 94.22% of the total emissions.

[2] Use of fresh water for m-Finance during the reporting period: 6.96m^3

The total emission was lower than FY 2017 by 11% (FY 2018: 60.26 tons of CO_2e; FY 2017: 67.72 tons of CO_2e), which was benefited by fewer business air travels during the year and down electricity consumption.

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

1.2 Carbon Reduction Measures and Resources Reduction Measures

The Group understands that its operations impact carbon emissions. Hence, the Group initiated several carbon reduction measures.

For electricity consumption, the Group uses efficiency lighting lamps in the office premise, such as T5 and LED lightings. In FY 2018, the Group has installed intelligent water dispensing machines that has automatic on-off feature, which in turn saves electricity. In addition, the Human Resources Department has posted notices next to air-conditioning and light switches in the office premise, reminding the staff to switch off the appliances after use to reduce energy consumption. Moreover, DTXS renewed the Energy Saving Charter for FY 2018, which pledged to maintain an average indoor temperature between 24–26° C during the summer months from June to September in 2018, switch off electronics when not in use and procure energy efficient appliances between June 2018 to May 2019, and to engage employees to adopt the energy saving practices set by the Group. DTXS also continued to join the No Air Con Night 2018, organized by Green Sense Hong Kong. More than 50% of the staff pledged to turn off air-conditioning for one night, which helps lessen the emission of greenhouse gases from the refrigerants used for air cooling.

In FY 2018, the emissions caused by business air travel recorded a significant reduction. This was due in part of the Group's decision to use video conferencing, and to only allow the necessary staff for business travels. This decision also helped the Group to save time and cost.

The Group has made efforts on reducing the use of resources. For water usage, signs are posted near faucets to remind staff to conserve water. Furthermore, a new dishwasher with water saving feature was purchased and installed in DTXS office, reducing time, effort and water resource to wash office kitchenware.

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 office paper usage, the Group defaulted two-sided printing and photocopying, 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, metals, and batteries.

The Group will continue to commit and make consistent effort to find new ways to minimize the effect of our operations to the environment whenever possible.

2. SOCIAL

The Group believes that employees are valuable assets, and their continuous contributions and efforts are vital to the Group's success. The Group continues to strive to build a pleasant, motivating and value-adding work environment which will lead to an improved well-being for all employees.

2.1 Employment

The Group is committed to attract and retain talent. In order to attract talents of diverse background, the Group is in strict compliance to relevant employment laws included in the Employment Ordinance, Sex Discrimination Ordinance, and Race Discrimination Ordinance. Adhering to the aforementioned ordinances, the Group's employment contracts, policies and remuneration packages are in compliance with the required laws and regulations. The Group is also an equal opportunity employer where all applicants and employees are judged based on academics, personal achievements, individual performances. 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.

Employees can refer to the Employment Handbook of their respective companies, which gives all employees information on compensation, benefits, dismissal, working hours, rest days, leaves etc. For FY 2018, DTXS has started to update its employment handbook. The new handbook will provide more comprehensive information for employees to follow. The new handbook is expected to be completed in the financial year 2019.

The breakdown of our staff is as follows:

	DTXS	m-Finance
Gender:		
Male	9	21
Female	9	9
Employment type:		
Top management	3	2
Middle management	12	6
Staff	3	22
Age group:		
18–20	0	0
21–30	3	10
31–40	7	17
41–50	5	1
51–60	3	1
61 or above	0	1
Education:		
University or above	14	27
High Diploma	2	2
Secondary school or below	2	1
Human Resources:		
Hiring	4	15
Turnover	4	10

2.2 Health and Safety

The Group has put efforts in improving the health and safety of our employees. We strictly abide by the Occupational Safety and Health Ordinance to maintain a healthy and safe workplace for our employees and protect them from work-related injuries.

To ensure our employees are in healthy condition, air purifiers and plants are installed wherever appropriate within the office. Furthermore, we purchase employee compensation for all our employees, which includes a free annual medical checkup and dental insurance.

We also made sure our employees are in a safe working environment. The Group participates in fire/emergency drills organized by the tenant on a regular basis, which raises employee awareness and responsiveness in case of a fire emergency. In addition, the Group has purchased several types of insurances to cover for employees in case of unforeseeable accidents. This includes Fire and Office insurance and travelling insurance 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 FY 2018.

2.3 Development and Training

The Group considers the skills and knowledge of our employees a vital importance to the Group's growth. Hence, the Group believes in creating a workplace that can foster growth by providing training opportunities for our employees to enhance their working capabilities and management competence. By doing so, we sponsor our employees to take continuous professional development (CPD) 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.

2.4 Labor Standards

The Group strictly complies with the relevant labor legislation in Hong Kong. We ensure new recruits are valid for working by cross checking on the personal information written on the CV, to the personal information in valid identification and/or working visas during the recruitment process. 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.

2.5 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 wants to order supplies, an evaluation will be made by the Human Resources Department to determine if it is necessary or not with the purchase order. While supplies are preferably purchased in Hong Kong and certified with environmental labels (e.g. PEFC certified paper) whenever possible, the Group heavily promotes the re-use of supplies to minimize unnecessary purchasing and waste. Furthermore, we encourage staff to find social enterprises as a supplier as well. In FY 2018, we have purchased environmentally friendly stationaries from a stationary store operated by a disabled owner.

Employees who deal 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.

2.6 Product Responsibility

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 regulation 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. m-Finance is in strict compliance with the law and regulation regarding privacy matter as stipulated in the Personal Data (Privacy) Ordinance. Any personal information of our clients is collected and used in a responsible and non-discriminatory manner by restricting the use of information in accordance with purposes as defined in the client agreement.

Due to confidentiality constraints, technical details to protect client's data and privacy cannot be disclosed.

2.7 Anti-Corruption

The Group strictly prohibits any corruption and bribery activities and has complied with the law and regulation regarding bribery, extortion, fraud and money laundering as stipulated in the Prevention of Bribery Ordinance. We have zero tolerance on any forms of bribery, corruption and fraud.

The Group has established and implemented anti-corrupting measures. For example, anti-bribery policies are clearly stated in the staff handbook. We have also established a prevention system, which sets up a whistle-blowing chancel, where employees can flag up any abnormal activities in the course of the business, for faults, and anti-corruption reporting.

During FY 2018, the Group did not receive any non-compliance with relevant laws and regulations on anti-corruption.

2.8 Community

The Group is aware of the needs of community and has worked towards improving the community through donation. In FY 2018, the Group had contributed in charitable donations to Orbis Hong Kong.

The Group will continue to encourage employees to participate in any community activities, making contributions to the 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 52 to 151, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 2 to the consolidated financial statements) which is engaged in auction business through structured arrangements as a key audit matter due to the significant judgment 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 5 to the consolidated financial statements). Management's disclosures with regard to the judgment are contained in Note 5 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment We identified the valuation of goodwill arising from business acquisition of China King Sing Lun Fung Auction Holdings Company Limited and its subsidiaries (collectively "Phoenixstar Group") in 2016 as a key audit matter due to subjective valuation parameters used and judgment exercised by the Group for the impairment assessment. The goodwill arising from the acquisition amounted to HK$131,354,000 (net of provision for impairment of HK$36,000,000) as at 31 December 2018 as disclosed in Note 20 to the consolidated financial statements. As detailed in Notes 4 and 20 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 the cash-generating unit ("CGU") and a suitable discount rate in order to calculate the value in use. The Group determined that there has been impairment loss of HK$36,000,000 on goodwill for the year ended 31 December 2018.	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; • 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, challenging key assumptions, such as expected cash flow streams, discount rates and growth rates, underlying in the cash flow forecasts of the CGU by comparing them to historical results; • Performing an independent assessment of the discount rate used in preparing the impairment testing model with the assistance of our internal fair value specialists; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

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, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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 Yeung Yu Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue			
Goods and services	*6*	**120,829**	149,753
Interest	*6*	**29,004**	18,563
Total revenue		**149,833**	168,316
Other income	*8*	**290**	866
Changes in inventories		**(91,964)**	(46,477)
Auction and related services costs		**(5,562)**	(2,381)
Staff costs	*9(a)*	**(39,178)**	(56,599)
Marine, construction and structural steel engineering costs	*9(b)*	**(24,934)**	(71,842)
Other gains and losses	*10*	**(33,413)**	2,290
Depreciation and amortisation expenses	*9(c)*	**(20,760)**	(18,246)
Other operating expenses	*9(d)*	**(42,955)**	(46,503)
Gain on disposal of subsidiaries	*35*	**1,903**	5,504
Loss from operations		**(106,740)**	(65,072)
Finance costs	*11*	**(2,294)**	(845)
Share of losses of joint ventures		**—**	(1,907)
Loss before taxation	*9*	**(109,034)**	(67,824)
Taxation	*12*	**(102)**	(4,316)
Loss for the year from continuing operations		**(109,136)**	(72,140)
Discontinued operations			
(Loss) profit for the year from discontinued operations	*13*	**(19,770)**	7,350
Loss for the year		**(128,906)**	(64,790)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(20,456)**	30,789
Reclassification of exchange fluctuation reserve upon disposal of subsidiaries		**—**	(3,884)
Other comprehensive (expense) income for the year		**(20,456)**	26,905
Total comprehensive expense for the year		**(149,362)**	(37,885)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
(Loss) profit for the year attributable to owners of the Company			
— from continuing operations		**(106,850)**	(69,663)
— from discontinued operations		**(20,059)**	5,738
Loss for the year attributable to owners of the Company		**(126,909)**	(63,925)
(Loss) profit for the year attributable to non-controlling interests			
— from continuing operations		**(2,286)**	(2,477)
— from discontinued operations		**289**	1,612
Loss for the year attributable to non-controlling interests		**(1,997)**	(865)
		(128,906)	(64,790)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(148,100)**	(38,150)
Non-controlling interests		**(1,262)**	265
		(149,362)	(37,885)
Loss per share			
From continuing and discontinued operations			
Basic and diluted (in HK cents)	*17*	**(22.83)**	(11.69)
From continuing operations			
Basic and diluted (in HK cents)	*17*	**(19.22)**	(12.74)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current Assets			
Property, plant and equipment	*18*	**181,422**	203,539
Intangible assets	*19*	**89,578**	128,221
Goodwill	*20*	**131,354**	199,320
Other financial asset	*34(a)*	**—**	—
Loans receivable	*24*	**—**	9,719
Other receivables	*22 & 35(a)*	**6,726**	—
		409,080	540,799
Current Assets			
Inventories	*21*	**43,557**	45,912
Trade and other receivables	*22*	**312,903**	277,614
Contract assets	*23*	**—**	—
Loans receivable	*24*	**9,719**	7,593
Tax recoverable		**—**	30
Bank balances and cash	*25*	**54,437**	72,914
		420,616	404,063
Current Liabilities			
Trade and other payables	*26*	**78,177**	47,979
Contract liabilities	*27*	**679**	—
Borrowings	*28*	**55,888**	38,091
Tax liabilities		**6,098**	6,664
Contingent consideration payables	*36*	**—**	4,000
		140,842	96,734
Net Current Assets		**279,774**	307,329
Total Assets Less Current Liabilities		**688,854**	848,128

	Notes	2018 HK$'000	2017 HK$'000
Capital and Reserves			
Share capital	30	**277,969**	277,569
Reserves		**378,356**	519,033
Equity attributable to owners of the Company		**656,325**	796,602
Non-controlling interests		**9,537**	15,178
Total Equity		**665,862**	811,780
Non-current Liabilities			
Deferred tax liabilities	29	**22,992**	28,856
Contingent consideration payables	36	**—**	7,492
		22,992	36,348
		688,854	848,128

The consolidated financial statements on pages 52 to 151 were approved and authorised for issue by the board of directors on 29 March 2019 and were signed on its behalf by:

Lai Kim Fung
Director

Wong Kwok Tung Gordon Allan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 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 arising on translation 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 upon disposal of 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 and 1 January 2018	**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 year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(126,909)**	**(126,909)**	**(1,997)**	**(128,906)**
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**—**	**(21,191)**	**—**	**—**	**—**	**—**	**(21,191)**	**735**	**(20,456)**
Total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(21,191)**	**—**	**—**	**—**	**(126,909)**	**(148,100)**	**(1,262)**	**(149,362)**
Disposal of subsidiaries *(Note 35)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,379)**	**(4,379)**
Exercise of share options *(Notes 30 & 31)*	**400**	**3,924**	**(1,356)**	**—**	**—**	**—**	**—**	**—**	**—**	**2,968**	**—**	**2,968**
Effects of share options *(Note 31)*	**—**	**—**	**4,855**	**—**	**—**	**—**	**—**	**—**	**—**	**4,855**	**—**	**4,855**
At 31 December 2018	**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**

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 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Operating activities			
Loss before taxation		**(128,572)**	(58,589)
Adjustment for:			
Depreciation and amortisation expenses		**30,685**	24,066
Impairment loss, net of reversal			
— items subject to expected credit losses		**1,268**	—
— intangible assets		**5,541**	—
— goodwill		**36,000**	—
Loss (gain) on disposal of subsidiaries		**16,948**	(5,504)
Gain on disposal of property, plant and equipment		**(475)**	—
Interest expenses		**2,294**	845
Interest income		**(208)**	(315)
Share of losses of joint ventures		**—**	1,907
Share-based payment expenses		**4,855**	14,515
(Gain) loss arising from changes in fair value of contingent consideration payables		**(7,492)**	671
Acquisition related cost	*34(b)*	**—**	4,000
Unrealised exchange loss (gain)		**149**	(2,850)
Operating cash flows before movements in working capital		**(39,007)**	(21,254)
Decrease (increase) in inventories		**2,355**	(1,509)
Increase in trade and other receivables		**(55,450)**	(184,638)
Decrease in amounts due from customers for contract work		**—**	9,584
Changes in balances with joint ventures		**—**	(4,562)
Increase (decrease) in trade and other payables		**49,692**	(6,910)
Increase in contract liabilities		**1,306**	—
Cash used in operations		**(41,104)**	(209,289)
Interest received		**208**	315
Income tax paid		**(1,075)**	(1,002)
Net cash used in operating activities		**(41,971)**	(209,976)
Investing activities			
Payment for purchase of property, plant and equipment		**(681)**	(17,860)
Payment for purchase of intangible assets		**(10,165)**	(7,755)
Disposal of subsidiaries	*35*	**7,693**	44,748
Acquisition of subsidiaries	*34(b)*	**—**	(35,819)
Repayment of loans receivable	*24*	**7,593**	—
Proceeds on disposal of property, plant and equipment		**2,612**	—
Net cash from (used in) investing activities		**7,052**	(16,686)

	Note	2018 HK$'000	2017 HK$'000
Financing activities			
Capital contribution by non-controlling interests of subsidiaries		—	8,000
Advance from borrowings		26,650	47,185
Repayment of borrowings		(11,147)	(27,402)
Payment for capital element of finance lease obligations		—	(67)
Payment for contingent consideration payables	39	(2,000)	—
Proceeds from issue of shares		2,968	—
Net cash from financing activities		16,471	27,716
Net decrease in cash and cash equivalents		(18,448)	(198,946)
Cash and cash equivalents at 1 January		72,914	271,909
Effect of foreign exchange rate changes		(29)	(49)
Cash and cash equivalents at 31 December, represented by bank balances and cash		54,437	72,914

1. GENERAL

DTXS Silk Road Investment Holdings Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the 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".

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

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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 and China King Sing Lun Fung Company Limited ("KSLF (HK)"). The acquisition has been accounted for a business combination.

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

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

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

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

(iii) 股東表決權委託協議 (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*

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(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).

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Revenue from sales of merchandise;
- Revenue from provision of auction and related services;
- Revenue from provision of fintech services;
- Revenue from sales of vessels;
- Revenue from provision of marine engineering services.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 6 and 4 respectively.

Summary of effects arising from initial application of HKFRS 15

No adjustment has been made to accumulated losses upon transition to HKFRS 15 at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 15 ***Revenue from Contracts with Customers*** *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification HK$'000	**Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000**
Current Assets				
Contract assets	*(a)*	—	1,688	**1,688**
Trade and other receivables	*(a)*	277,614	(1,688)	**275,926**
Current Liabilities				
Contract liabilities	*(b)*	—	3,224	**3,224**
Trade and other payables	*(b)*	47,979	(3,224)	**44,755**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) As at 1 January 2018, retention money receivables of HK$1,688,000 in respect of marine engineering services contracts previously included in trade and other receivables were reclassified to contract assets.

(b) As at 1 January 2018, advances received from customers of HK$3,224,000 in respect of financial trading platform contracts previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of financial position

	As reported HK$'000	Reclassification HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Liabilities			
Contract liabilities	679	(679)	—
Trade and other payables	78,177	679	78,856

Impact on the consolidated statement of cash flows

	As reported HK$'000	Reclassification HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating Activities			
Increase in trade and other payables	49,692	1,306	50,998
Increase in contract liabilities	1,306	(1,306)	—
Net cash from operating activities	50,998	—	50,998

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	Additional provision for credit loss recognised under HKFRS 9 HK$'000	New carrying amount under HKFRS 9 HK$'000
Other financial asset	Financial assets at fair value through profit or loss ("FVTPL")	Financial assets at FVTPL	—	—	—
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	275,667	—	275,667
Loans receivable	Loans and receivables	Financial assets at amortised cost	17,312	—	17,312
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	72,914	—	72,914
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	43,111	—	43,111
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	38,091	—	38,091
Contingent consideration payables	Financial Liabilities designated at FVTPL	Financial liabilities at FVTPL	11,492	—	11,492

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

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 *Financial Instruments* *(Continued)*

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

Financial liabilities designated as at FVTPL

Contingent consideration payables of the Group designated as at FVTPL qualified for designation as measured at FVTPL under HKFRS 9. However, the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of those liabilities will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. No related fair value gains or losses attributable to changes in the credit risk which were transferred from related accumulated losses to reserves on 1 January 2018.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on revenue streams and shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, bank balances and loans receivable, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company ("the Directors") reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The adoption has not resulted in any additional impairment for financial assets as at 1 January 2018.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
HK (IFRIC) — Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015–2017 Cycle*[1]

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

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

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 2018, the Group has non-cancellable operating lease commitments of HK$10,832,000 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 they qualify for low value or short-term leases.

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

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

HKFRS 16 *Leases* *(Continued)*

In addition, the Group currently considers refundable rental deposits paid of HK$2,827,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. 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 on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For financial instruments 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Change in the Group's 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 regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses, other than business combination under common control, 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 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 as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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 is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in joint ventures

A joint venture is a joint arrangement whereby the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint ventures *(Continued)*

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 HKFRS 9/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 HKFRS 9/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 the 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 the 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations from provision of fintech services, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

Goods, services and interests

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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 by the Group 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are 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 arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Hong Kong dollars) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium account. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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, 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.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

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

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment (other than construction in progress and freehold land) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Floating craft and vessels *(Continued)*

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.

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.

Internally-generated intangible assets — research and development expenditure

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets — 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), on the same basis as intangible assets that are acquired separately.

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.

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, 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.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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 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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables and contract assets arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a 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.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) *(Continued)*

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3)

The Group recognises a provision for credit loss on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans receivable, bank balances and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for credit-impaired debtors and collectively for non-credit-impaired using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the provision for credit loss equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3) *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3) *(Continued)*

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year past due, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3) *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the sharing similar economic risk characteristics basis:

- Nature of financial instruments (i.e. the Group's other receivables and non-credit-impaired trade receivables are each assessed as a separate group. Credit-impaired trade receivables and loans receivable are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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. Fair value is determined in the manner described on Note 38(e).

(ii) 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, loans receivable and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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;
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

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 asset's 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 and other 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.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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.

Upon application of HKFRS 9, for financial liabilities at FVTPL, 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 recognised 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.

Prior to application of HKFRS 9 on 1 January 2018, financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability and is included in the "other gains and losses" line item.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that Directors 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 2018.

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, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, further impairment loss may arise. As at 31 December 2018 and 2017, the carrying amount of goodwill is HK$131,354,000 (net of provision for impairment of HK$36,000,000) and HK$199,320,000 (net of provision for impairment of nil), respectively. Details of the recoverable amount calculation are disclosed in Note 20.

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

Key sources of estimation uncertainty *(Continued)*

(b) 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 of the Group 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 18.

(c) Provision of ECL for trade receivables

Before the adoption of HKFRS 9, the Group makes loss allowances of trade receivables based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade receivables and doubtful debts expenses in the year in which such estimate is changed.

As at 31 December 2017, the carrying amounts of trade receivables amounted to HK$33,311,000 (net of loss allowance of HK$2,122,000).

Since the adoption of HKFRS 9 on 1 January 2018, management estimates the amount of provision for credit loss on debt instruments (including trade receivables) that are measured at amortised cost based on the credit risk of the respective financial instruments. The provision for credit loss amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 1 January 2018 and 31 December 2018, the carrying amounts of trade receivables measured at amortised cost amounted to HK$33,311,000 (net of provision for credit loss of HK$2,122,000) and HK$29,932,000 (net of provision for credit loss of HK$1,143,000), respectively.

6. REVENUE

A. For the year ended 31 December 2018

Continuing operations

(i) Disaggregation of revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Arts and Cultural Division HK$'000	Winery Division HK$'000	e-Commerce Division HK$'000	Engineering Services Division HK$'000	Total HK$'000
Sales of merchandise	—	6,100	89,889	—	95,989
Auction and related services	12,020	—	—	—	12,020
Sales of vessels	—	—	—	1,500	1,500
Marine engineering services	—	—	—	11,320	11,320
Revenue from contracts with customers	12,020	6,100	89,889	12,820	120,829
Interest income	27,971	—	—	1,033	29,004
Total revenue	39,991	6,100	89,889	13,853	149,833
Geographical markets					
Mainland China	22,005	6,100	—	—	28,105
Hong Kong	17,986	—	89,889	13,853	121,728
Total	39,991	6,100	89,889	13,853	149,833
Timing of revenue recognition					
A point in time	12,020	6,100	89,889	1,500	109,509
Over time	27,971	—	—	12,353	40,324
Total	39,991	6,100	89,889	13,853	149,833

(ii) Performance obligations for contracts with customers

The Group applies the practical expedient of not disclosing the information about its remaining performance obligation when the performance obligation is part of a contract that has an original expected duration of one year or less.

6. REVENUE *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

Sales of merchandise, vessels and auction and related services

Revenue from sales of merchandise and vessels mainly includes sales of goods and arrangement for the provision of the specified good or service by another party. Revenue from sales of goods is recognised when control of the goods has transferred, being when customer acceptance has obtained which is the point of time when the customer has the ability to direct the use of the products and obtains substantially all of the remaining benefits of the products, which also represented the point of time when goods are delivered. The normal credit term is 30 to 90 days upon delivery. Regarding arrangement for the provision of the specified good or service by another party, the Group considers it is an agent as its performance obligation is to arrange for the provision of the specified good or service by another party. The Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. Revenue is recognised in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue from provision of auction services mainly includes commission from auction services and interest income by rendering art and asset pawn services, which are separately identifiable. Commission from auction services includes buyer's and seller's commission, of which each of them is regarded as a distinct performance obligation satisfied at a point in time when the full payment of auction items is settled by the buyer, the transaction price of which is based on a percentage of hammer price of the auction sales. Interest income from a financial asset 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 from art financing business is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Provision of services

Revenue from provision of marine engineering services mainly includes provision of transportation services. Revenue from provision of marine engineering services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, when the customers simultaneously receive and consume the benefits from the Group's performance.

6. REVENUE *(Continued)*

B. For the year ended 31 December 2017

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

	2017 HK$'000
Revenue from:	
Provision of auction and related services	42,716
Sales of merchandise	47,785
Sales of vessels	38,728
Provision of marine engineering services	34,030
Provision of construction and structural steel engineering services	5,057
	168,316

7. OPERATING SEGMENTS

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.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- Arts and Cultural Division — mainly represents auction business and sales of antique, art financing business and Art Central Business District business ("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 (including electronic devices, cosmetics and other consumer products)
- Jewellery Division* — mainly represents sales of jewellery
- Engineering Services Division — mainly represents sales of vessels, provision of marine engineering, construction and structural steel engineering and transportation services

* In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The CODM has removed the Jewellery Division which mainly represents sales of jewellery because there are no sales for both years and the Group has decided to terminate the business. Prior year segment disclosures have been re-presented to conform to the current year's presentation.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Major line of business of financial trading platform and solutions operation of Fintech Division was discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 13.

7. OPERATING SEGMENTS *(Continued)*

(a) Segment results, assets and liabilities

During the year ended 31 December 2018, 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 are no inter-segment sales during the year ended 31 December 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represents the profit earned by/loss from each segment without allocation of central administration costs, the Directors' emoluments, gain/loss on disposal of subsidiaries, finance costs and gain/loss arising from changes in fair value of contingent consideration payables.

Continuing operations

	Arts and Cultural Division		Winery Division		e-Commerce Division		Engineering Services Division		Eliminations	Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reportable segment revenue											
Revenue from external customers	39,991	42,716	6,100	1,239	89,889	46,546	13,853	77,815	—	149,833	168,316
Inter-segments sales	59	—	—	—	276	—	—	—	(335)	—	—
	40,050	42,716	6,100	1,239	90,165	46,546	13,853	77,815	(335)	149,833	168,316
Segment results*	(2,556)	19,365	(1,702)	(5,265)	(596)	(783)	(24,853)	(13,014)	—	(29,707)	303
Unallocated other income										1	244
Unallocated corporate expenses										(69,875)	(60,950)
Unallocated depreciation expense										(1,262)	(1,625)
Unallocated amortisation expense										(8,191)	(5,796)
Loss before taxation										(109,034)	(67,824)

* Segment results are before taxation and Adjusted IA Amortisations.

Inter-segment sales are charged at prevailing market rates.

7. OPERATING SEGMENTS *(Continued)*

(b) Geographical information

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

The following table sets out information about the geographical locations of (i) the Group's revenue from continuing operations from external customers for the years ended 31 December 2018 and 2017; and (ii) the Group's property, plant and equipment, goodwill and intangible assets ("specified non-current assets") as at 31 December 2018 and 2017. 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 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**121,728**	147,509	**111,832**	176,064
PRC	**28,105**	20,807	**261,387**	322,908
France	**—**	—	**29,135**	32,108
	149,833	168,316	**402,354**	531,080

(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:

	2018	2017
	HK$'000	HK$'000
Customer A		
— Revenue from sales of vessels	*	31,000
— Revenue from provision of marine engineering, construction and structural steel engineering services	*	15,823
Customer B		
— Revenue from sales of merchandise	**45,671**	34,253
Customer C		
— Revenue from sales of merchandise	**19,178**	*

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

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interest income from bank deposits	**90**	314
Sundry income	**200**	552
	290	866

9. LOSS BEFORE TAXATION

Loss before taxation from continuing operations has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Continuing operations		
(a) Staff costs (including the Directors' emoluments)		
Salaries, wages and other benefits	**33,557**	41,186
Contributions to defined contribution retirement plans	**766**	898
Share-based payment expenses	**4,855**	14,515
	39,178	56,599
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	**20,882**	55,693
Direct overheads	**3,163**	1,478
Repairs, maintenance and vessel security costs	**889**	9,385
Transportation costs	**—**	5,286
	24,934	71,842
(c) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	**12,720**	12,392
Amortisation of intangible assets	**8,040**	5,797
Release of prepaid lease payments	**—**	57
	20,760	18,246
(d) Other items (included in other operating expenses)		
Auditor's remuneration	**1,610**	1,470
Legal and professional fees	**3,966**	7,581
Secretarial and registration fees	**893**	927
Operating lease charges in respect of office premises and plant	**15,792**	13,494

10. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Continuing operations		
Provision for credit loss on trade receivables	**(50)**	—
Impairment loss on goodwill	**(36,000)**	—
Impairment loss on intangible assets	**(5,181)**	—
Gain on disposal of property, plant and equipment	**475**	—
Net foreign exchange (loss) gain	**(149)**	2,961
Gain (loss) arising from changes in fair value of contingent consideration payables *(Notes 36 & 39)*	**7,492**	(671)
	(33,413)	2,290

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interest on loans *(Note 28)*	**2,294**	845

12. TAXATION

	2018 HK$'000	2017 HK$'000
Continuing operations		
Current tax:		
Hong Kong	**342**	3,226
PRC	**1,683**	2,540
	2,025	5,766
Deferred tax *(Note 29)*	**(1,923)**	(1,450)
	102	4,316

12. TAXATION *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

	2018 HK$'000	2017 HK$'000
Loss before taxation (from continuing operations)	**(109,034)**	(67,824)
Tax at 16.5% (2017: 16.5%) *(Note)*	**(17,991)**	(11,191)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(546)**	(148)
Tax effect of non-deductible expenses	**14,047**	16,574
Utilisation of tax losses previously not recognised	**—**	(4,145)
Tax effect of unused tax losses not recognised	**4,592**	3,226
Taxation (from continuing operations)	**102**	4,316

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

13. DISCONTINUED OPERATIONS

On 24 December 2018, DTXS Technologies Limited, a non-wholly owned subsidiary of which the Company indirectly owned 85% of the issued share capital, entered into a sale and purchase agreement to dispose of its entire equity interests in Digital Mind Holdings Limited and its subsidiaries ("Digital Mind Group"), which carried out all of the Group's financial trading platform and solutions operation, to the non-controlling interests holder of Digital Mind Group. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 28 December 2018, on which date control of Digital Mind Holdings Limited was passed to the acquirer.

The profit for the period/year from the discontinued financial trading platform and solutions operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the financial trading platform and solutions operation as a discontinued operation.

13. DISCONTINUED OPERATIONS *(Continued)*

	2018 HK$'000	2017 HK$'000
(Loss) profit of financial trading platform and solutions operation for the period/year	**(919)**	7,350
Loss on disposal of financial trading platform and solutions operation *(Note 35)*	**(18,851)**	—
	(19,770)	7,350

The results of the financial trading platform and solutions operation for the period from 1 January 2018 to 28 December 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 28 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Revenue from provision of fintech services	**29,597**	35,173
Financial trading technologies and related value-added services costs	**(4,453)**	(5,152)
Other income	**118**	72
Staff costs	**(11,584)**	(11,582)
Depreciation and amortisation expenses	**(9,135)**	(5,204)
Other operating expenses	**(3,716)**	(3,961)
Other gains and losses	**(1,514)**	(111)
(Loss) profit before taxation	**(687)**	9,235
Taxation	**(232)**	(1,885)
(Loss) profit for the period/year	**(919)**	7,350
(Loss) profit for the period/year from discontinued operations includes the following:		
Auditor's remuneration	**160**	160

13. DISCONTINUED OPERATIONS *(Continued)*

Revenue from provision of fintech services mainly includes provision of leasing the right to access the financial trading platform and solutions to its customers and sales of software licenses. Revenue from software license leasing is generated from providing the customer with a right to access the financial trading platform and solutions of the Group. The nature of the Group's performance obligation in granting the license is considered to be a right to access the Group's intellectual property. The Group accounts for the grant of the right-to-access license as a performance obligation satisfied over time. For sales of software licenses, the Group considers the sales to be a grant to the customers of a right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the right-to-use license is granted. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. The stand-alone selling price of software license sales is directly observable.

During the year ended 31 December 2018, Digital Mind Group contributed HK$8 million (2017: HK$11 million) to the Group's net operating cash flows, paid HK$9 million (2017: HK$71 million) in respect of investing activities and no cash flow contributed to the Group's financing activities (2017: none).

The carrying amounts of the assets and liabilities of Digital Mind Group at the date of disposal are disclosed in Note 35.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	2018				
	Fees HK$'000	Salaries HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Director and Chief Executive Officer					
Lai Kim Fung	—	3,290	3,697	32	7,019
Executive Directors					
Lu Jianzhong *(Chairman)*	—	360	595	—	955
Wong Kwok Tung Gordon Allan *(Deputy Chief Executive Officer)*	—	360	425	18	803
Yang Xingwen	—	360	425	—	785
Non-executive Directors					
Wang Shi	360	—	42	—	402
Jean-Guy Carrier	360	—	42	—	402
Independent Non-executive Directors					
Cheng Yuk Wo	360	—	42	—	402
Fan Chiu Fun, Fanny	360	—	42	—	402
Tsui Yiu Wa, Alec	360	—	42	—	402
Tse Yung Hoi	360	—	42	—	402
	2,160	4,370	5,394	50	11,974

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

	2017				
	Fees HK$'000	Salaries HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors and Chief Executive Officer					
Lai Kim Fung*	—	1,724	1,490	8	3,222
Wong Kwok Tung Gordon Allan**	—	360	1,059	18	1,437
Executive Directors					
Lu Jianzhong *(Chairman)*	—	360	1,482	—	1,842
Yang Xingwen	—	360	1,059	—	1,419
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#	360	—	106	—	466
	2,160	2,804	5,726	26	10,716

* 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.

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

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.

Note:

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 2018 and 2017, 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.

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: one) were Directors and their emoluments are disclosed in Note 14. The emoluments in respect of the remaining three (2017: four) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other emoluments	5,404	9,671
Retirement benefits scheme contributions	47	77
Share-based payments	40	5,397
	5,491	15,145

The emoluments of the top five highest paid individuals, excluding two (2017: one) Directors, were within the following bands:

	2018	2017
	Number of individual	
Nil–HK$1,000,000	1	—
HK$1,000,001–HK$1,500,000	1	—
HK$2,500,001–HK$3,000,000	—	1
HK$3,000,001–HK$3,500,000	1	1
HK$4,000,001–HK$4,500,000	—	2
	3	4

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2018 and 2017, nor has any dividend been proposed since the end of the reporting period (2017: nil).

17. LOSS PER SHARE

For continuing operations

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

	2018 HK$'000	2017 HK$'000
Loss for the year attributable to owners of the Company	**126,909**	63,925
Adjust for: (Loss) profit for the year from discontinued operations	**(20,059)**	5,738
Loss for the purpose of basic and diluted loss per share from continuing operations	**106,850**	69,663
	Number of ordinary shares ('000)	
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**555,823**	546,891

For the years ended 31 December 2018 and 2017, 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 both years.

From continuing and discontinued operations

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

	2018 HK$'000	2017 HK$'000
Loss		
Loss for the purpose of basic and diluted earnings per share (Loss for the year attributable to owners of the Company)	**126,909**	63,925

The denominators used are the same as those detailed above for both basic and diluted losses per share.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK$3.61 cents per share (2017: basic and diluted earnings per share HK$1.05 cents and HK$1.04 cents per share, respectively), based on the loss for the year from the discontinued operations of HK$20,059,000 (2017: profit of HK$5,738,000). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2018 is 555,823,000 (2017: 546,891,000) and 555,823,000 (2017: 550,570,000) respectively.

18. 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 2017	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 on revaluation	—	(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 and 1 January 2018	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
Additions	**400**	**—**	**175**	**106**	**—**	**—**	**—**	**—**	**—**	**681**
Elimination of depreciation on revaluation	**—**	**(3,682)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,682)**
Disposal of subsidiaries *(Note 35)*	**(2,659)**	**—**	**(3,951)**	**(79)**	**(940)**	**—**	**—**	**—**	**—**	**(7,629)**
Disposal	**—**	**(2,137)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,137)**
Exchange realignments	**(49)**	**—**	**(18)**	**(103)**	**—**	**—**	**(3,165)**	**(46)**	**(249)**	**(3,630)**
At 31 December 2018	**11,562**	**9,263**	**1,591**	**3,342**	**90**	**—**	**164,005**	**1,132**	**6,120**	**197,105**
Representing: At 31 December 2018										
Cost	**11,562**	**—**	**1,591**	**3,342**	**90**	**—**	**164,005**	**1,132**	**6,120**	**187,842**
Valuation	**—**	**9,263**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9,263**
	11,562	**9,263**	**1,591**	**3,342**	**90**	**—**	**164,005**	**1,132**	**6,120**	**197,105**
Accumulated depreciation										
At 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 and 1 January 2018	1,970	—	1,630	1,195	1,013	—	3,999	—	156	9,963
Provided for the year	**5,003**	**3,682**	**2,007**	**123**	**16**	**—**	**5,105**	**53**	**284**	**16,273**
Elimination on revaluation	**—**	**(3,682)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,682)**
Disposal of subsidiaries	**(2,115)**	**—**	**(3,408)**	**(79)**	**(940)**	**—**	**—**	**—**	**—**	**(6,542)**
Exchange realignments	**(13)**	**—**	**(6)**	**(18)**	**1**	**—**	**(255)**	**(6)**	**(32)**	**(329)**
At 31 December 2018	**4,845**	**—**	**223**	**1,221**	**90**	**—**	**8,849**	**47**	**408**	**15,683**
Carrying amount At 31 December 2018	**6,717**	**9,263**	**1,368**	**2,121**	**—**	**—**	**155,156**	**1,085**	**5,712**	**181,422**
At 31 December 2017	11,900	15,082	3,755	2,223	17	—	163,171	1,178	6,213	203,539

18. 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$7,462,000 (2017: HK$13,281,000).

The above items of property, plant and equipment (other than construction in progress and freehold land) 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.

The Group assesses annually whether property, plant and equipment have any indications of impairment in accordance with the relevant accounting policies.

For leasehold improvements, furniture, fixture and office equipment, plant machinery and workshop equipment and motor vehicles, if such impairment 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.

For buildings, freehold land and bearer plants, the Group assesses the fair value of these property, plant and equipment with reference to similar items that have sold within respective market that considered most common to decide if any impairment loss at the end of each reporting period.

For the years ended 31 December 2018 and 2017, the Directors consider no impairment loss of property, plant and equipment incurred.

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

(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.

	Fair value at 31 December 2018 HK$'000	**Fair value measurements as at 31 December 2018 categorised into**		
		Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Floating craft and vessels held for own use — Hong Kong	**9,263**	—	—	**9,263**

	Fair value at 31 December 2017 HK$'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 HK$'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

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil).

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

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

Fair value hierarchy *(Continued)*

All of the Group's floating craft and vessels held for own use were revalued as at 31 December 2018. 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.

The best estimate of fair value of the Group's floating craft and vessels 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 judgment, 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.

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% (2017: 10% to 40%)

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

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

Information about Level 3 fair value measurements *(Continued)*

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.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

	2018 HK$'000	2017 HK$'000
Floating craft and vessels held for own use — Hong Kong		
At 1 January	**15,082**	37,115
Additions	**—**	4,653
Disposal	**(2,137)**	—
Disposal of subsidiaries	**—**	(20,131)
Depreciation charge for the year	**(3,682)**	(6,555)
At 31 December	**9,263**	15,082

19. INTANGIBLE ASSETS

	License HK$'000	Brands HK$'000	Customer relationship HK$'000	Developed technology HK$'000	Capitalised development costs HK$'000	Computer software HK$'000	Total HK$'000
Cost							
At 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 and 1 January 2018	472	106,254	14,087	16,520	9,758	—	147,091
Additions	—	—	—	—	9,665	500	10,165
Disposal of subsidiaries *(Note 35)*	—	(7,167)	—	(16,520)	(19,423)	—	(43,110)
Exchange realignments	—	(4,907)	(648)	—	—	—	(5,555)
At 31 December 2018	472	94,180	13,439	—	—	500	108,591
Amortisation and impairment							
At 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 and 1 January 2018	472	8,279	4,153	4,681	1,285	—	18,870
Provided for the year	—	5,609	2,797	3,304	2,586	116	14,412
Disposal of subsidiaries *(Note 35)*	—	(1,732)	—	(7,985)	(9,420)	—	(19,137)
Impairment loss recognised in the year	—	—	—	—	5,541	—	5,541
Exchange realignments	—	(433)	(248)	—	8	—	(673)
At 31 December 2018	472	11,723	6,702	—	—	116	19,013
Carrying values							
At 31 December 2018	—	82,457	6,737	—	—	384	89,578
At 31 December 2017	—	97,975	9,934	11,839	8,473	—	128,221

19. 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
Computer software	3 years

20. GOODWILL

	CGU 1 HK$'000	CGU 2 HK$'000	Total HK$'000
Cost			
At 1 January 2017	163,386	23,015	186,401
Exchange realignments	12,919	—	12,919
At 31 December 2017 and 1 January 2018	176,305	23,015	199,320
Disposal of subsidiaries *(Note 35)*	**—**	**(23,015)**	**(23,015)**
Exchange realignments	**(8,951)**	**—**	**(8,951)**
At 31 December 2018	**167,354**	**—**	**167,354**
Impairment			
At 1 January 2017 and 31 December 2017	—	—	—
Impairment loss recognised	36,000	—	36,000
At 31 December 2018	**36,000**	**—**	**36,000**
Carrying values			
At 31 December 2018	**131,354**	**—**	**131,354**
At 31 December 2017	176,305	23,015	199,320

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. There was no impairment testing for CGU 2 as at 31 December 2018 as fintech business has been disposed of as disclosed in Note 35.

20. GOODWILL *(Continued)*

The recoverable amounts of the CGU 1 has 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 (2017: 5-year period). The cash flows attributable to CGU 1 beyond the 5-year period are 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 rate applied is 21.5% (2017: 23.1%) for CGU 1.

The Group's commission income generated from auction business recorded an apparent decrease for the year ended 31 December 2018 caused by economic downturn and policy tightening in the PRC. Thus impairment provision has been made on goodwill in respect of its auction business for the year ended 31 December 2018. The Directors have consequently determined an impairment of goodwill related to CGU 1 amounted to HK$36,000,000. The impairment loss has been included in profit or loss in the "other gains and losses" line item. No impairment of the other assets of CGU 1 was considered necessary.

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 has been adjusted based on the CGU's past performance (especially the unpredicted downwards of commission income during the year ended 31 December 2018) and management's expectations for the market development.

If the discount rate was changed to 23.5%, while other parameters remain constant, an impairment of goodwill of HK$57,308,000 would have been recognised for the year ended 31 December 2018.

Included in the sale and purchase agreement of the acquisition of auction business in 2016, there is a contingent consideration arrangement. The Directors assess that the fair value of the contingent consideration arrangement is insignificant as at 31 December 2017 and 2018.

21. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Vessels held for sale	**494**	2,083
Raw materials	**—**	63
Merchandise	**43,063**	43,766
	43,557	45,912

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.

21. INVENTORIES *(Continued)*

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 years ended 31 December 2018 and 2017.

22. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables *(Note a)*	**31,075**	35,433
Less: Provision for credit loss	**(1,143)**	(2,122)
	29,932	33,311
Other receivables *(Note b)*		
— Non-current portion	**6,726**	—
— Current portion	**288,545**	248,297
Less: Impairment losses	**(5,574)**	(5,682)
	289,697	242,615
Retention money receivables	**—**	1,688
	319,629	277,614

	2018 HK$'000	2017 HK$'000
Trade and other receivables		
— Non-current portion	**6,726**	—
— Current portion	**312,903**	277,614
	319,629	277,614

22. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2017, included in the trade receivables are retention amounts of HK$1,688,000, of which HK$1,688,000 are due after one year. Upon application of HKFRS 15, the retentions receivables were reclassified to contract assets.

Notes:

(a) Trade receivables

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$29,932,000 and HK$33,311,000 respectively.

As at 31 December 2018, included in the Group's trade receivables balance are HK$12,863,000 (2017: HK$12,302,000) interest receivables derived from art financing business of arts and cultural segment HK$10,667,000 (2017: HK$6,057,000) derived from transportation services related to engineering services segment, HK$6,081,000 (2017: HK$8,399,000) derived from sales of merchandise of e-commerce segment, HK$321,000 (2017: HK$1,239,000) derived from sales of merchandise of winery segment and nil (2017: HK$5,314,000) derived from fintech services of fintech segment.

The interest receivables derived from art financing business of arts and cultural segment are secured by pledged auction items from consignors as disclosed in Note 22(b). The Group generally requires consignors to settle the interest receivables in accordance with contracted terms, normally due monthly, quarterly or semi-annually.

Ageing analysis

The ageing analysis of trade receivables of the Group, net of provision for credit loss, presented based on the invoice date, as at the year end date is as follows:

	2018	2017
	HK$'000	HK$'000
0–30 days	**9,379**	17,726
31–90 days	**7,558**	10,352
91–180 days	**2,505**	3,964
181–360 days	**5,975**	596
Over 360 days	**5,658**	2,795
	31,075	35,433
Less: Provision for credit loss	**(1,143)**	(2,122)
	29,932	33,311

Except for retention money receivables, credit terms granted by the Group to customers generally range from 30 to 90 days.

Impairment of trade receivables

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,657,000 which are past due as at the reporting date, for which the Group has not provided an impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. Accordingly, the Group does not consider these balances impaired. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) **Trade receivables** *(Continued)*

Impairment of trade receivables *(Continued)*

The ageing analysis of trade receivables which are past due but not impaired:

	2017 HK$'000
91–180 days	2,388
181–360 days	596
Over 360 days	673
	3,657

As at 31 December 2017, individually impaired trade receivables with an aggregate balance of HK$2,122,000 are included in the allowance for doubtful debts. 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.

Movement in the allowance for doubtful debts:

	2017 HK$'000
At 1 January 2017	2,122
Impairment loss recognised	—
At 31 December 2017	2,122

Since the adoption of HKFRS 9 on 1 January 2018, the Directors assesses credit-impaired debtors individually and non-credit-impaired debtors collectively using a provision matrix with groupings based on internal credit rating.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK18,153,000 which are past due as at the reporting date. Out of the past due balances, HK$9,351,000 has been past due 90 days or more but no ECL has been provided by the Directors as the balance is secured by sufficient pledged auction items as disclosed in Note 22(b).

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtor is assessed individually into four internal credit rating ranks, namely low risk, high risk, in default and write-off as disclosed in Note 38(c) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor, analysis of the debtor's current financial position as well as relevant forward-looking information.

The following table provides information about the exposure to credit risk and ECL for trade receivables excluding interest receivables with aggregate carrying amount of HK$12,863,000 which the Group has not provided any ECL as the amounts are fully collateralised by pledged auction items. The trade receivables are assessed individually for credit impaired debtors and collectively for non-credit-impaired debtors based on provision matrix as at 31 December 2018.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) Trade receivables *(Continued)*

Impairment of trade receivables *(Continued)*

For trade debtors that are non-credit-impaired

Internal credit rating	Gross carrying amount HK$'000	Average loss rate %	Provision for credit loss HK$'000
Low risk	17,084	0.29	49
High risk	35	2.86	1
	17,119		50

For trade debtors that are credit-impaired

Internal credit rating	Gross carrying amount HK$'000	Average loss rate %	Provision for credit loss HK$'000
In default	1,093	100	1,093
	1,093		1,093

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed when necessary. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) Trade receivables *(Continued)*

Impairment of trade receivables *(Continued)*

For trade debtors that are credit-impaired *(Continued)*

The Group always measures the provision for credit loss for trade receivables at an amount equal to lifetime ECL. During the year ended 31 December 2018, HK$1,268,000 of provision for credit loss is recognised for trade receivables.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (non-credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 31 December 2017 under HKAS 39	—	2,122	2,122
Adjustment upon application of HKFRS 9	—	—	—
As at 1 January 2018 — As restated	—	2,122	2,122
Change due to financial instruments recognised as at 1 January:			
— Impairment losses recognised	**13**	**1,218**	**1,231**
Change due to financial instruments recognised during the year:			
— Impairment losses recognised	**37**	**—**	**37**
Disposal of subsidiaries	**—**	**(2,247)**	**(2,247)**
As at 31 December 2018	**50**	**1,093**	**1,143**

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 38(c).

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(b) Other receivables

	2018 HK$'000	2017 HK$'000
Advances to consignors for art financing business	**259,944**	228,478
Other receivables	**2,379**	2,723
Other receivables related to sales of merchandise*	**11,156**	—
Deferred cash consideration arising from disposal of subsidiaries *(Note 35(a))*	**7,726**	—
Deposits	**3,628**	6,969
Advances to suppliers and prepayments	**3,142**	1,947
Others	**1,722**	2,498
	289,697	242,615

* The amount is unsecured, interest-free and has credit term of 60 days and it represents prepayments on behalf of third parties in respect of the Group's arrangement to procure goods for those third parties related to sales of merchandise business as disclosed in Note 6.

As at 31 December 2018, advances to consignors for art financing business amounted to approximately HK$259,944,000 (2017: HK$228,478,000). The balance is secured by pledged auction items (high valued Chinese art collectibles and antiques) 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 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. The Group reviews the credit loss of advance balances individually and regularly. As part of this review, the Group considers the fair value movement of the pledged auction items and monitors the credit risk of the consignors. In the opinion of the Directors, there has been no significant deterioration in the fair value of the pledged auction item during the current or prior year.

For the advances to consignors for art financing business, the Group measures the provision for credit loss equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The amount of ECL provided takes into account the fair value of the pledged auction items.

Impairment of other receivables

As at 31 December 2018, the advances to consignors for art financing business measured at amortised cost amounted to HK$259,944,000 (2017: HK$228,478,000), of which HK$129,311,000 (2017: nil) is carried forward from prior year as the consignors signed supplemental agreements with the Group to extend the maturity date. Of the total outstanding balance as at 31 December 2018, HK$156,409,000 (2017: HK$134,231,000) are advanced to independent individuals. The Directors expect the entire balances as at 31 December 2018 will be collected during the year ending 31 December 2019. The Group has not provided any ECL for advances to consignors as in the opinion of the Directors, the fair value of the pledged auction items exceeds the outstanding advances on an individual basis.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(b) Other receivables *(Continued)*

Impairment of other receivables *(Continued)*

The following table provides information about the exposure to credit risk and ECL for other receivables (excluding advances to consignors for art financing business and advances to suppliers and prepayments) which are assessed individually as at 31 December 2018.

For other receivables (excluding advances to consignors for art financing business and advances to suppliers and prepayments) that are non-credit-impaired

Internal credit rating	Gross carrying amount HK$'000	Average loss rate %	Provision for credit loss HK$'000
Low risk	26,611	—	—
	26,611*		—

For other receivables (excluding advances to consignors for art financing business and advances to suppliers and prepayments) that are credit-impaired

Internal credit rating	Gross carrying amount HK$'000	Average loss rate %	Provision for credit loss HK$'000
In default	5,574**	100	5,574
	5,574		5,574

* The amount mainly includes refundable prepaid rental deposits, deferred cash considerations arising from disposal of subsidiaries, other receivables related to sales of merchandise which are assessed at 12m ECL.

** The amount represent non-trade related receivables from independent third party arising from engineering service segment. The amount is considered as in default and fully provided ECL since in the opinion of the Directors, there have been a significant deterioration in the operating results of the debtor.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(b) Other receivables *(Continued)*

Impairment of other receivables *(Continued)*

The following table shows the movement in ECL that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) HK$'000	**Total** HK$'000
As at 31 December 2017 under HKAS 39	5,682	5,682
Adjustment upon application of HKFRS 9	—	—
As at 1 January 2018 — As restated	5,682*	5,682
Disposal of subsidiaries *(Note 35(a))*	**(108)**	**(108)**
As at 31 December 2018	**5,574**	**5,574**

* The ECL is fully provided for one credit-impaired debtors related to engineering service segment.

Details of impairment assessment are set out in Note 38(c).

23. CONTRACT ASSETS

	As at 31 December 2018 HK$'000	As at 1 January 2018* HK$'000
Construction contracts	—	1,688

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The Group typically agrees to a retention period of 18 months for 1% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on engineering quality during warranty period.

The Group classifies the contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in Note 38(c).

24. LOANS RECEIVABLE

	2018 HK$'000	2017 HK$'000
Analysed as		
Current	**9,719**	7,593
Non-current	—	9,719
	9,719	17,312

At 8 December 2017, loans receivable 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. The loans receivable amounted to HK$7,593,000 were repaid during the year ended 31 December 2018.

25. BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Cash at bank and in hand, representing as cash and cash equivalents in the consolidated statement of cash flows	**54,437**	72,914

Bank balances and short-term bank deposits carry interest at market rates ranging from of 0.01% to 1.4% (2017: 0.01% to 1.4%) per annum.

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no provision for credit loss is provided.

26. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade creditors	**4,354**	10,138
Advances received from customers	—	3,224
Accruals	**8,953**	11,086
Other payables	**64,870***	23,531
	78,177	47,979

* Included in the balance are other payables with carrying amount of HK$35,000,000 (2017: nil) that the Group received from a third party to purchase target arts and cultural collectibles on behalf of the third party.

26. TRADE AND OTHER PAYABLES *(Continued)*

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:

	2018 HK$'000	2017 HK$'000
0–30 days	**1,014**	6,519
31–90 days	**307**	1,899
91–180 days	**642**	747
181–360 days	**235**	83
Over 360 days	**2,156**	890
	4,354	10,138

27. CONTRACT LIABILITIES

	As at 31 December 2018 HK$'000	As at 1 January 2018* HK$'000
Sales of merchandise	**348**	—
Interest income	**331**	—
Provision of fintech services	**—**	3,224
	679	3,224

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The full amount of contract liabilities as at 1 January 2018 was recognised as revenue during the current year.

28. BORROWINGS

	2018 HK$'000	2017 HK$'000
Other loans		
Secured *(Note a)*	**570**	570
Unsecured	**55,318**	37,521
	55,888	38,091
Variable rate *(Note b)*	**55,888**	38,091

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

	2018 HK$'000	2017 HK$'000
Within one year *(Note c)*	**55,888**	38,091

Notes:

a. The loan was secured by a pledge over vessels held by the Group with carrying amount of HK$417,000 (2017: HK$616,000) as at 31 December 2018.

b. The loans carrying variable rate at 31 December 2018 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

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax asset and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax liabilities	22,992	28,856

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 2017	7,672	679	28,633	(6,721)	30,263
Credited to profit or loss	—	—	(1,407)	—	(1,407)
At 31 December 2017 and 1 January 2018	7,672	679	27,226	(6,721)	28,856
Disposal of subsidiaries	(1,630)	—	(2,127)	—	(3,757)
Credited to profit or loss	—	—	(2,107)	—	(2,107)
At 31 December 2018	6,042	679	22,992	(6,721)	22,992

At the end of the reporting period, the Group has unused tax losses of HK$282,525,000 (2017: HK$254,695,000) available for offset against future profits. Deferred tax assets have been recognised in respect of HK$40,733,000 (2017: HK$40,733,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$241,792,000 (2017: HK$213,962,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law, 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$19,074,000 at 31 December 2018 (2017: HK$15,301,000), 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

	2018 Number of ordinary shares '000	**2018** HK$'000	2017 Number of ordinary shares '000	2017 HK$'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	**555,138**	**277,569**	504,118	252,059
Shares issued for acquisition of assets *(Note a)*	**—**	**—**	51,020	25,510
Exercise of share options *(Note b)*	**800**	**400**	—	—
At 31 December	**555,938**	**277,969**	555,138	277,569

Notes:

a. 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. 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.

(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 2018, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company and its subsidiaries are not subject to externally imposed capital requirements.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

At 31 December 2018, the number of shares options had been granted and remained outstanding under the 2012 Scheme was 17,600,000 (2017: 22,600,000), representing 3.17% (31 December 2017: 4.07%) of the shares of the Company 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 of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

On 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 2018:

			Number of share options					
Eligible persons	Date of grant	Exercise Price HK$	Outstanding at 1 January 2018	Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2018
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 participants	28 January 2016	3.000	5,300,000	–	–	(2,900,000)	–	2,400,000
	21 December 2016	3.710	4,300,000	–	(800,000)	(1,300,000)	–	2,200,000
Total			22,600,000	–	(800,000)	(4,200,000)	–	17,600,000
Exercisable at the end of the year								11,420,000

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$4.80.

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:

			Number of share options					
Eligible persons	Date of grant	Exercise Price HK$	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 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 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 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.

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

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$4,855,000 (2017: HK$14,515,000) share-based payment expenses during the year ended 31 December 2018 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 20.13% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

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.

The total expense recognised in profit or loss of HK$766,000 for the year ended 31 December 2018 (2017: HK$898,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

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:

	2018 **HK$'000**	2017 HK$'000
Within one year	**7,785**	16,621
Between the second and fifth year, inclusive	**3,047**	11,901
	10,832	28,522

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, at 31 December 2017 and at 31 December 2018 is insignificant and disclosed as "other financial asset" line item.

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.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of vineyard business

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

For the purpose of Acquisition of vineyard business, the Group subscribed 70% equity interests in Wealthy Forest Limited, a newly incorporated investment holding company, for HK$32,000,000 while the non-controlling interest holder subscribed the remaining 30% equity interests for HK$8,000,000. 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
	35,819

Included in the loss for the year ended 31 December 2017 was HK$4,760,000 attributable to the additional business generated by vineyard business. No revenue for the year ended 31 December 2017 was generated from the vineyard business.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year ended 31 December 2017 would have been HK$168.3 million and loss for the year would have been HK$70.3 million arising from continuing operations. 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.

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Digital Mind Group

As referred to in Note 13, on 28 December 2018, the Group discontinued its financial trading platform and solutions operation at the time of disposal of Digital Mind Group by entering into a sale and purchase agreement with the non-controlling interests holder of Digital Mind Group. The net assets of Digital Mind Group at the date of disposal were as follows:

	HK$'000
Cash received	8,000
Deferred cash consideration*	7,726
Offset against other payables to the purchaser**	20,144
Total consideration	35,870

	At 28 December 2018 HK$'000
Analysis of assets and liabilities over which control was lost:	
Goodwill	**23,015**
Property, plant and equipment	**1,087**
Intangible assets	**23,973**
Trade and other receivables	**20,313**
Cash and cash equivalents	**3,000**
Trade and other payables	**(2,778)**
Contract liabilities	**(3,851)**
Tax liabilities	**(1,902)**
Deferred tax liabilities	**(3,757)**
Net assets disposed of	**59,100**
Loss on disposal of subsidiaries:	
Consideration received and receivable	**35,870**
Net assets disposed of	**(59,100)**
Non-controlling interests	**4,379**
Loss on disposal of subsidiaries	**18,851**
Net cash inflow arising on disposal:	
Cash consideration	**8,000**
Less: cash and cash equivalents disposed of	**(3,000)**
	5,000

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of Digital Mind Group *(Continued)*

* The deferred consideration amounted to HK$1,000,000 will be settled on or before 30 September 2019 and the remaining deferred consideration which is recognised at the present value of the estimated future cash outflows amounted to HK$6,726,000 will be settled on or before 30 June 2020 in cash by the purchaser.

** During the year, other receivables of HK$20,144,000 arising from disposal of Digital Mind Group has been offset against other payables to the purchaser of Digital Mind Group.

The disposal of Digital Mind Group involves contingent consideration receivable from the purchaser which aims to nullify the amount of contingent consideration payables relating to the acquisition of this business in 2016 as disclosed in Note 36. The Directors consider the fair values of both contingent payments to be insignificant as at 31 December 2018.

The impact of Digital Mind Group on the Group's results and cash flows in the current and prior periods is disclosed in Note 13.

(b) Disposal of UDL Dredging Limited

On 31 December 2018, 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 Dredging Limited at a total cash consideration equivalent to HK$17,369,000. The net assets of UDL Dredging Limited at the date of disposal were as follows:

	HK$'000
Cash received	2,711
Offset against other payables to the purchaser*	14,658
Total consideration	17,369

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of UDL Dredging Limited *(Continued)*

	At 31 December 2018 HK$'000
Analysis of assets and liabilities over which control was lost:	
Trade and other receivables	14,594
Contract assets	1,688
Cash and cash equivalents	18
Trade and other payables	(834)
Net assets disposed of	15,466
Gain on disposal of subsidiaries:	
Consideration received and receivable	17,369
Net assets disposed of	(15,466)
Gain on disposal of subsidiaries	1,903
Net cash inflow arising on disposal:	
Cash consideration	2,711
Less: cash and cash equivalents disposed of	(18)
	2,693

* During the year, other receivable of HK$14,658,000 arising from disposal of UDL Dredging Limited, has been offset against other payables to the purchaser of UDL Dredging Limited.

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Disposal of UDL Ship Holdings Limited and its subsidiaries and joint ventures

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

36. CONTINGENT CONSIDERATION PAYABLES

	2018 **HK$'000**	2017 HK$'000
Contingent consideration payables *(Notes a & 39)*		
Current	—	4,000
Non-current	—	7,492
	—	11,492

Note:

a. The balance was recognised as contingent consideration payables at the time when m-Finance Group was acquired in 2016. The Directors assess it is unlikely that the required profit guarantee can be achieved and consider that the fair value of contingent consideration payables is insignificant as at 31 December 2018.

Fair value hierarchy

The following table presents the fair value of the Group's contingent consideration payables 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$'000	Fair value measurements as at 31 December 2017 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Contingent consideration payables	11,492	—	—	11,492

The Group's contingent consideration payables were reassessed as at 31 December 2017. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle, a firm of independent qualified professional valuer in Hong Kong.

Information about Level 3 fair value measurements

Items	**Valuation technique**	**Unobservable inputs**	**Percentage (%)**
31 December 2017			
Contingent consideration payables	Discounted cash flow method	Discount rate	4.90

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

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:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors as disclosed in Note 14 is as follows:

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	**12,720**	14,635
Share-based payment expenses	**5,484**	11,123
Contributions to defined contribution retirement plans	**115**	103
	18,319	25,861

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables/debt instruments at amortised cost		
— Loans receivable	**9,719**	17,312
— Trade and other receivables*	**316,487**	275,667
— Bank balances and cash	**54,437**	72,914
	380,643	365,893
Financial liabilities		
FVTPL		
— Contingent consideration payables	**—**	11,492
Amortised cost		
— Borrowings	**55,888**	38,091
— Trade and other payables**	**75,342**	43,111
	131,230	92,694

* 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 loans receivable 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 cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2018 **HK$'000**
Interest revenue	
— Financial assets at amortised cost	**29,004**
Other income	
— Financial assets at amortised cost	**208**
Total interest income	**29,212**

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2017 HK$'000
Interest revenue	
— Loans and receivables (including bank balances and cash)	18,563
Other income	
— Loans and receivables (including bank balances and cash)	315
Total interest income	18,878

38. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Interest rate risk *(Continued)*

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2018 HK$'000	2017 HK$'000
Financial liabilities at amortised cost	**2,294**	845

The sensitivity analysis below has been determined based on the exposure to interest rates fluctuation for variable interest bearing borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. At 31 December 2018, 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$467,000 (2017: HK$318,000).

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

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

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

(ii) Currency risk

The Group has certain balances denominated in HK$, RMB, Singapore dollars, Euro, United States dollars ("US$"), Japanese Yen ("JPY") or Great Britain Pound ("GBP") 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:

	2018 HK$'000	2017 HK$'000
HK$	**—**	(289)
RMB	**43,582**	46,114
US$	**(2,066)**	26
Singapore dollars	**—**	(694)
Euro	**311**	19
JPY	**153**	—
GBP	**119**	—
	42,099	45,176

38. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Currency risk *(Continued)*

Currency risk sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 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.

	2018 **HK$'000**	2017 HK$'000
Decrease in loss for the year	**1,757**	1,891

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.

(c) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and loans receivable. 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 provision for credit loss. 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 and transportation services related to engineering services division, the Group generally requires customers to settle billings in accordance with contracted terms, normally due within 90 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 vessels transactions, the Group generally requires customers to pay upon delivery or settle billings within 90 days from the date of billing. For the sales of merchandise, the Group generally grant credit period of 30 days upon delivery goods to customers. 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 and the principal and interest receivables from art financing business are secured by pledged auction items. 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Credit risk and impairment assessment *(Continued)*

Loans receivable were repayable by 22 instalments with a term of 2 years and management of the Group closely monitors the credit and repayment conditions and considers loans receivable 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 43% (2017: 32%) 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 provision for credit loss. 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.

As at 31 December 2018, the Group's maximum exposure to credit risk is limited to the carrying amounts of the Group's financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivable and advances to consignors for art financing business are mitigated because they are secured by marine plant and the underlying auction items as disclosed in Note 24 and Note 22(b) respectively.

In order to minimise credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group's major debtors of trade and other receivables at amortised cost and to categorise exposures according to their degree of risk of default. The credit management team rates its major customers using available financial information and the Group's own trading records with the debtors, as well as general economic conditions of the industry in which the debtors operate and the forward-looking information that is available without undue cost or effort at the reporting date. Debtors with low risk of default and good payment history are rated as low risk. Debtors that are individuals or with high risk of default, or if there is significant increase in credit risk since initial recognition, are rated as high risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach under HKFRS 9 to measure the provision for credit loss at lifetime ECL. The ECL on trade receivables and contract assets are assessed individually for credit-impaired debtors and assessed collectively using a provision matrix with groupings based on internal credit ratings for non-credit-impaired debtors.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Credit risk and impairment assessment *(Continued)*

The Group's current credit risk grading framework in respect of other receivables and other financial assets at amortised cost comprises the following categories:

Category	Description	Basis for recognising ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
High risk	The counterparty is individual or there has been a significant increase in credit risk since initial recognition	Lifetime ECL — non-credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For other receivables and loans receivable, the management of the Group makes individual assessment on the recoverability of these financial assets based on credit risk assessment and historical settlement records and past experience, if any, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For advances to consignors for art financing business (included in other receivables), the Group manages its exposure to credit risk by advancing less than 40% of the fair value of pledged auction items and reviews the collectability of the balances regularly. Before acceptance of the pledged auction items, the Group performs background research to verify the certified legal title and involves internal experts to proof the authenticity. As part of the regular review, the Group considers the fair value movement of the pledged auction items and monitors the credit risk of the consignors.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any significant concentration of credit risk apart from those disclosed above.

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 2018						
Non-derivative financial liabilities						
Non-interest bearing						
Trade and other payables	N/A	75,342	—	—	75,342	75,342
Interest bearing						
Borrowings	5.00	55,888	—	—	55,888	55,888
		131,230	—	—	131,230	131,230

	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

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 2018	**38,091**	—	**11,492**	**49,583**
Financing cash flows	**15,503**	—	**(2,000)**	**13,503**
Interest expenses	**2,294**	—	—	**2,294**
Reclassification to other payable *(Note a)*	—	—	**(2,000)**	**(2,000)**
Fair value adjustments *(Note b)*	—	—	**(7,492)**	**(7,492)**
At 31 December 2018	**55,888**	—	—	**55,888**
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

Notes:

a. During the year, contingent consideration payables of HK$2,000,000 was settled and the remaining balances has been reclassified to other payables and offset against receivables from the same counterparty.

b. The fair value of the contingent consideration payables as at 28 December 2018 and 31 December 2018 is insignificant as disclosed in Note 36 and fair value change was credited to profit or loss as disclosed in Note 10.

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 and business	Class of shares held	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2018	2017	2018	2017	2018	2017	
				%	%	%	%	%	%	
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	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
East Coast Towing Limited	Hong Kong	Ordinary	HK$11,000,000	—	—	100	100	100	100	Investment holding
UDL Dredging Limited*	Hong Kong	Ordinary	HK$56,500,000	—	—	—	100	—	100	Engineering work
KSLF (HK)	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 Limited	Hong Kong	Ordinary	HK$2	—	—	100	100	100	100	Sales of vessels
Wealthy Forest-Puy Bardens SAS	France	Ordinary	EUR4,630,000	—	—	70	70	70	70	Vineyard business

* The company has been disposed of during year ended 31 December 2018 as disclosed in Note 35.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current Assets		
Investments in subsidiaries	**32,000**	32,000
Amounts due from subsidiaries	**655,115***	—
	687,115	32,000
Current Assets		
Amounts due from subsidiaries	**52,410**	799,084
Other receivables	**142**	314
Bank balances and cash	**39**	157
	52,591	799,555
Current Liabilities		
Other payables	**4,441**	2,636
Amounts due to subsidiaries	**39,455**	32,053
	43,896	34,689
Net Current Assets	**8,695**	764,866
Total Assets Less Current Liabilities	**695,810**	796,866
Capital and Reserves		
Share capital *(Note 30)*	**277,969**	277,569
Reserves	**417,841**	519,297
Total Equity	**695,810**	796,866

* Amounts due from subsidiaries of HK$655,115,000 were reclassified as non-current assets during the year ended 31 December 2018 based on the Directors' opinion that the repayments are neither planned nor likely to occur in the foreseeable future. These amounts are interest free and repayable on demand. Aggregate provision for credit loss for amounts due from subsidiaries of HK$94,581,000 was recognised during the year ended 31 December 2018.

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 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
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(108,879)**	**(108,879)**
Effects of share options *(Note 30)*	**—**	**—**	**—**	**4,855**	**—**	**—**	**4,855**
Exercise of share options *(Notes 30 & 31)*	**3,924**	**—**	**—**	**(1,356)**	**—**	**—**	**2,568**
At 31 December 2018	**1,026,910**	**1,264**	**21,689**	**31,774**	**287,524**	**(951,320)**	**417,841**

* 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 2018, in the opinion of the Directors, the Company did not have any reserve available for distribution to shareholders (2017: nil).

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
	2018	2017	2016	2015	2015
	HK$'000	HK$'000 (Restated) *Note*	HK$'000	HK$'000	HK$'000
Results					
Continuing operations:					
Revenue	**149,833**	168,316	122,307	60,197	89,042
Loss before taxation	**(109,034)**	(67,824)	(74,071)	(20,669)	(38,142)
Taxation	**(102)**	(4,316)	569	—	—
Loss for the year/period from continuing operations	**(109,136)**	(72,140)	(73,502)	(20,669)	(38,142)
Loss for the year/period from discontinued operation	**(19,770)**	7,350	—	—	—
Loss for the year/period	**(128,906)**	(64,790)	(73,502)	(20,669)	(38,142)
Loss for the year/period attributable to:					
Owners of the Company	**(126,909)**	(63,925)	(73,497)	(20,669)	(38,142)
Non-controlling interests	**(1,997)**	(865)	(5)	—	—
	(128,906)	(64,790)	(73,502)	(20,669)	(38,142)

Note: The disposal of Digital Mind Group for the year ended 31 December 2018 constituted discontinued operations (reference to Note 13 to the consolidated financial statements). Accordingly, the comparatives for the year ended 31 December 2017 have been re-presented in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. However, it is not practicable to restate the financial information prior to 2017 for comparison purposes.

	At 31 December				At 31 July
	2018	2017	2016	2015	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**829,696**	944,862	779,721	701,745	233,294
Total liabilities	**(163,834)**	(133,082)	(123,917)	(76,196)	(141,780)
Net assets	**665,862**	811,780	655,804	625,549	91,514