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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") announces the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative figures as follows:

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	4	**120,829**	149,753
Interest	4	**29,004**	18,563
Total revenue		**149,833**	168,316
Other income		**290**	866
Changes in inventories		**(91,964)**	(46,477)
Auction and related services costs		**(5,562)**	(2,381)
Staff costs	6(a)	**(39,178)**	(56,599)
Marine, construction and structural steel engineering costs	6(b)	**(24,934)**	(71,842)
Other gains and losses	7	**(33,413)**	2,290
Depreciation and amortisation expenses	6(c)	**(20,760)**	(18,246)
Other operating expenses	6(d)	**(42,955)**	(46,503)
Gain on disposal of subsidiaries	15	**1,903**	5,504
Loss from operations		**(106,740)**	(65,072)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Loss from operations		**(106,740)**	(65,072)
Finance costs	8	**(2,294)**	(845)
Share of losses of joint ventures		**—**	(1,907)
Loss before taxation	6	**(109,034)**	(67,824)
Taxation	9	**(102)**	(4,316)
Loss for the year from continuing operations		**(109,136)**	(72,140)
Discontinued operations			
(Loss) profit for the year from discontinued operations		**(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)

	Note	**2018**	2017
		HK$'000	*HK$'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)*	12	**(22.83)**	(11.69)
From continuing operations			
Basic and diluted *(in HK cents)*	12	**(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		**181,422**	203,539
Intangible assets		**89,578**	128,221
Goodwill		**131,354**	199,320
Other financial asset		**—**	—
Loans receivable		**—**	9,719
Other receivables	13	**6,726**	—
		409,080	540,799
Current Assets			
Inventories		**43,557**	45,912
Trade and other receivables	13	**312,903**	277,614
Contract assets		**—**	—
Loans receivable		**9,719**	7,593
Tax recoverable		**—**	30
Bank balances and cash		**54,437**	72,914
		420,616	404,063
Current Liabilities			
Trade and other payables	14	**78,177**	47,979
Contract liabilities		**679**	—
Borrowings		**55,888**	38,091
Tax liabilities		**6,098**	6,664
Contingent consideration payables		**—**	4,000
		140,842	96,734
Net Current Assets		**279,774**	307,329
Total Assets Less Current Liabilities		**688,854**	848,128

	2018	2017
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**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	**22,992**	28,856
Contingent consideration payables	**—**	7,492
	22,992	36,348
	688,854	848,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$") rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional currency and the Group's presentation currency.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In July 2016, the Company, through its wholly-owned subsidiary, DTXS Auction Limited, acquired 100% equity interest in China King Sing Lun Fung Auction Holdings Company Limited ("China King Sing") and China King Sing Lun Fung Company Limited ("KSLF (HK)"). The acquisition has been accounted for a business combination.

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

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

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

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

* *For identification purpose only*

(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.

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 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 for the application of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements. The impact of application of HKFRS 9 and HKFRS 15 is disclosed in the latest consolidated financial statements.

4. 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.

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 good or service 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.

B. For the year ended 31 December 2017

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

	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

5. 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 represented 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 10.

(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 is no inter-segment sales during the years ended 31 December 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, 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)**	**—**	—
Total	**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.

(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.

6. LOSS BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
(a) Staff costs (including 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

7. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'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	**7,492**	(671)
	(33,413)	2,290

8. FINANCE COSTS

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

9. TAXATION

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

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 tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'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.

10. 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") to the non-controlling interests holder of Digital Mind Group, which carried out all of the Group's financial trading platform and solutions operation. 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 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.

	2018	2017
	HK$'000	*HK$'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	**(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 tax	**(687)**	9,235
Taxation	**(232)**	(1,885)
(Loss) profit for the period/year	**(919)**	7,350

	Period ended 28 December 2018 *HK$'000*	Year ended 31 December 2017 *HK$'000*
(Loss) profit for the year from discontinued operations includes the following:		
Auditor's remuneration	**160**	160

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 15.

11. 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).

12. 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	2017
	HK$'000	*HK$'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 the owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Losses		
Losses 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 for the year 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.

13. TRADE AND OTHER RECEIVABLES

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

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. 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.

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

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 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.

(b) Other receivables

	2018	2017
	HK$'000	*HK$'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	**7,727**	—
Deposits	**3,628**	6,969
Advances to suppliers and prepayments	**3,142**	1,947
Others	**1,721**	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 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.

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'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.

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	2017
	HK$'000	*HK$'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

15. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Digital Mind Group

On 28 December 2018, the Group discontinued its financial trading platform and solutions operations 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*	7,727
Offset against other payables to the purchaser**	20,143
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 receivables	**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

* 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$6,727,000 will be settled on or before 30 June 2020 in cash by the purchaser.

** During the year, other receivables of HK$20,143,000 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. The Directors consider the fair value 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 10.

(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

	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 receivables	**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

(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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group's revenue from continuing operations recorded approximately HK$149.8 million (2017: approximately 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: loss of approximately 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: approximately 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.

* *For identification purpose only*

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 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.

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

Guaranteed Periods	Profit Guarantees (RMB)
11 July 2016 to 30 June 2017 (the "First Guaranteed Period")	25,000,000 (the "First Profit Guarantee")
1 July 2017 to 30 June 2018 (the "Second Guaranteed Period")	35,000,000 (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: approximately HK$1.2 million), and a Segment Loss of approximately HK$1.7 million (2017: approximately 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: approximately HK$46.5 million), and a Segment Loss of approximately HK$0.6 million (2017: approximately 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: approximately HK$77.8 million), and a Segment Loss of approximately HK$24.9 million (2017: approximately 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: approximately 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, 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 Group 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) x 12/18 x 6

Where:

A = the First Adjusted Consideration Payment. In case A is a negative, then A is set as zero.

B = Net Profit for the 2017 Guaranteed Period (in HK$). In case B is a negative (i.e. loss), then B is set as zero.

(b) If the Net Profit for the 2018 Guaranteed Period is more than or equal to HK$9,000,000, then the Company is required to pay HK$4,000,000 (the "Second Adjusted Consideration Payment") in cash to the m-Finance Vendor. If the Net Profit for the 2018 Guaranteed Period is less than HK$9,000,000, then the Second Adjusted Consideration Payment will be as follows:

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

Where:

A = the Second Adjusted Consideration Payment. In case A is a negative, then A is set as zero.

B = Net Profit for the 2018 Guaranteed Period (in HK$). In case B is a negative (i.e loss), then B is set as zero.

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

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

Where:

F = Adjusted Total Consideration (in HK$), which in any event shall be set as zero if it is a negative, and shall be capped at HK$40,800,000.

If the Adjusted Total Consideration exceeds the aggregated amount of the Down Payment, the First Adjusted Consideration Payment and the Second Adjusted Consideration Payment (the "Total Payments"), such excess will be paid by the Company to the m-Finance Vendor as the final Adjusted Consideration Payment (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.

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)

Based on the financial results of m-Finance for the year ended 31 December 2018, the Net Profit for the 2018 Guaranteed Period was 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 and 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.

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:

		As at 31 December 2016	For the year ended 31 December 2017		For the year ended 31 December 2018		
Uses	**Original allocation**	**Remaining balance**	**Utilised**	**Remaining balance**	**Utilised**	**Remaining balance**	
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*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 the 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.

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

Throughout the year under review, the Company has complied with the code provisions (the "Code") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and senior management of the Company. Having made specific enquiries to all the Directors, who confirmed their compliance with the required standards as set out in the Model Code for the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established the audit committee ("Audit Committee") to review and supervise the financial reporting process, risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three members who are all Independent Non-executive Directors**.** The Group's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures as set out in this announcement in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 have been agreed by the auditor of the Company, Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the consolidated financial statements of the Company for the year. The work performed by Deloitte in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Deloitte on this announcement.

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 dates 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.

2018 ANNUAL REPORT

The 2018 annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (www.dtxs.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

By Order of the Board
DTXS Silk Road Investment Holdings Company Limited
Lai Kim Fung
Executive Directors and Chief Executive Officer

Hong Kong, 29 March 2019

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