



INTERIM REPORT
2016



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)

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CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Directors**

Mr. Lu Jianzhong (*Chairman*)
 Mr. Wong Kwok Tung Gordon
(Chief Executive Officer)
 Mr. Yang Xingwen

Non-executive Directors

Mr. Wang Shi
 Mr. Jean-Guy Carrier
 Mr. Tse Yung Hoi

Independent Non-executive Directors

Mr. Cheng Yuk Wo
 Ms. Fan Chiu Fun, Fanny
 Mr. Tsui Yiu Wa, Alec

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)
 Ms. Fan Chiu Fun, Fanny
 Mr. Tsui Yiu Wa, Alec

NOMINATION COMMITTEE

Mr. Wong Kwok Tung Gordon (*Chairman*)
 Mr. Cheng Yuk Wo
 Mr. Tsui Yiu Wa, Alec

REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec (*Chairman*)
 Mr. Wong Kwok Tung Gordon
 Mr. Cheng Yuk Wo

COMPANY SECRETARY

Ms. Yung Mei Yee

REGISTERED OFFICE

Crawford House
 4th Floor
 50 Cedar Avenue
 Hamilton HM11
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 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

As to Hong Kong laws:
 DLA Piper Hong Kong
 Jeffrey Mak Law Firm

As to Bermuda laws:
 Appleby Spurling & Kempe

PRINCIPAL BANKERS

China Everbright Bank Hong Kong Branch
 Bank of China (Hong Kong) Limited

WEBSITE

www.dtxs.com

STOCK CODE

620

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in (i) arts and collections related business; (ii) sale of vessels; (iii) marine engineering; and (iv) construction and structural steel engineering and related services.

On 23 May 2016, the Group entered into a memorandum of understanding for the acquisition of 85% interest in m-Finance Group, a financial e-commerce business in Hong Kong. The management of m-Finance possesses a proven technological capability capable of supporting the development of our online marketplace as well as extensive exposure to high net worth clients. This acquisition will add certainty for the success of our online marketplace and was subsequently completed on 26 August 2016.

On 20 June 2016, the Group entered into a sale and purchase agreement for the acquisition of 100% interest in Phoenixstar Group, a boutique auction house in Beijing specialising in arts and collections business. This transaction not only creates a new offline sale channel for our planned online marketplace, but also provides a steady and consistent revenue stream for the Group via its profit guarantee structure. This acquisition was subsequently completed on 11 July 2016.

It is the intention of the Group to continue diversify its businesses, taking advantage and leveraging from the strong cultural business background of its controlling shareholder, DTXS Group, to invest, develop and operate an online marketplace for arts and collections including but not limited to jewellery, wine, tea and artworks.

FINANCIAL REVIEW

The Group recorded revenue of HK\$18.1 million for the six months ended 30 June 2016 (first half of 2015: HK\$26.3 million) with a loss of HK\$35.2 million (first half of 2015: HK\$17.2 million). Excluding a non-cash share based payment of HK\$6.3 million incurred in the first half of 2016 as a result of granting of share options on 28 January 2016, the consolidated loss for the period under review would be HK\$28.9 million.

The Group has four reportable segments, namely (i) sales of jewellery; (ii) sales of vessels; (iii) marine engineering; and (iv) construction and structural steel engineering and related services. During the six months ended 30 June 2016, for performance assessment and resources allocation, the Group focused on segment revenue attributable to each reportable segment and no longer review the results attributable to respective segments. The Group considers that the change is in line with its long term business strategy.

The revenue from marine engineering for the first half of 2016 decreased to HK\$15.5 million (first half of 2015: HK\$25.9 million). Our revenue from construction and structural steel engineering for the first half of 2016 increased to HK\$2.6 million (first half 2015: HK\$0.4 million). The Group has no recorded revenue from sales of jewellery and sales of vessels for the six months ended 30 June 2016 (first half of 2015: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2016, the Group's total cash and bank balance amounted to HK\$463.3 million, representing a decrease of HK\$68.6 million as compared with the cash and cash equivalents balance of HK\$531.9 million as at 31 December 2015. The decrease was mainly attributable to payment of deposits for acquisition of an auction business and a financial e-commerce business totalling HK\$63.0 million. As at 30 June 2016, the Group did not have any outstanding bank borrowings (31 December 2015: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars and Renminbi. Income and expenses derived from the operations in the Mainland China are mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, other than outsourcing vendors but including contract workers, the Group has approximately 80 employees in Hong Kong and the Mainland China. Total staff costs of the Group, excluding contract workers, amounted to HK\$16.5 million for the six months ended 30 June 2016, as compared with HK\$9.0 million for the period ended 30 June 2015. The significant increase in staff cost was mainly due to the non-cash share based payment expenses incurred in first half of 2016 as a result of granting of share options to employees. There was no material change to the staff policy during the six months ended 30 June 2016. 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. The emoluments of the Directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

CAPITAL AND OTHER COMMITMENTS

Details of the Group's capital and other commitments as at 30 June 2016 are set out in note 17 to the condensed consolidated financial statements.

USE OF PROCEEDS

The net proceeds raised from shares issued by placing shares on 6 October 2015 (the "Share Placing") and on an open offer on 9 December 2015 (the "Open Offer") were approximately HK\$137.6 million and HK\$420.3 million, respectively. The original allocation of proceeds from the Share Placing and the Open Offer, the utilisation and remaining balance of the proceeds as at the date of this report are summarised below:

(a) The Share Placing

Uses	Original allocation (HK\$ million)	Utilised as at the date of this report (HK\$ million)	Remaining balance as at the date of this report (HK\$ million)
General working capital and the settlement of certain liabilities of the Group	137.6	108.2 ⁽¹⁾	29.4 ⁽¹⁾

Note:

- As at the date of this report, the Group had applied as to (i) approximately HK\$63.4 million of the net proceeds from the Share Placing for the repayment of certain liabilities; and (ii) approximately HK\$44.8 million of the net proceeds from the Share Placing for the general working capital of the Group, of which approximately HK\$16.4 million had been utilised for the inventory purchase for the development of the Group's arts and collections business.

The Group intends to apply the remaining balance of HK\$29.4 million as at the date of this report for general working capital for the existing businesses of the Group as planned.

(b) The Open Offer

Uses	Original	Utilised as at	Remaining
	allocation	the date of	balance as at
	(HK\$ million)	this report	the date of
		(HK\$ million)	this report
			(HK\$ million)
Repayment of loans	48.0	–	48.0 ⁽¹⁾
Development of online market for arts and collections	80.0	28.8 ⁽²⁾	51.2 ⁽²⁾
Acquisition of inventories for the online market platform	107.4	28.4 ⁽³⁾	79.0 ⁽³⁾
Expansion of the operation scale of the Group	36.0	4.6	31.4
Acquisitions for arts and cultural related business	148.9	148.0 ⁽⁴⁾	0.9
Total	420.3	209.8	210.5

Notes:

- As at 30 June 2016, the Group had outstanding loans (net) included in current liabilities amounted to HK\$37.6 million. The Group intends to apply the remaining balance for repayment of the outstanding loans.
- On 23 May 2016, the Company announced that the Group had entered into a memorandum of understanding (the "MOU") to acquire 85% interest in a financial e-commerce company (the "Acquisition") with well-established information technology personnel and proven technological capacity in order to develop its online market for arts and collections. The cash consideration for the Acquisition is HK\$40.8 million (subject to profit guarantee adjustments). A deposit of HK\$4 million was paid upon signing of the MOU. The Acquisition was subsequently completed on 26 August 2016 and the Group further paid HK\$24.8 million as the down payment on the same date. The Group intends to apply the remaining balance as at the date of this report as to (i) HK\$12 million as contingent consideration payment; and (ii) the remaining balance for other operational working capital, and sales and marketing expenditures for the development of online market for arts and collections as originally planned.

3. The Group originally planned to utilise approximately HK\$28.4 million for the acquisition of Mao Tai Wine under a wine purchase agreement (the "Wine Purchase Agreement") dated 2 November 2015. On 31 March 2016, the Company announced that the Group had utilised approximately HK\$5.6 million for the completion of the first stage of the purchase of Mao Tai Wine. On 3 July 2016, the Company further announced that since the Wine Purchase Agreement for the purchase of the remaining 2,700 bottles of the Mao Tai Wine had lapsed and the Group intended to apply the remaining amount of approximately HK\$22.8 million to acquire other inventories to develop its online and offline arts and collections related business. As at the date of this report, the Group has fully utilised the remaining amount of approximately HK\$22.8 million to acquire other inventories to develop its online and offline arts and collections related business.

The Group originally planned to utilise approximately HK\$79.0 million for the acquisition of old coins under an asset purchase agreement dated 2 November 2015. Subsequent to the date of this report, the Group has already utilised approximately HK\$1.1 million for the acquisition of old coins as inventories to develop its online and offline arts and collections related business.

4. On 26 May 2016, the Company announced that the Group entered into a memorandum of understanding to acquire 100% interest in a company which is principally engaged in the arts and collections auction business in the Mainland China for a total consideration of RMB250 million (equivalent to approximately HK\$292.5 million) (the "Auction Acquisition"). Thereafter, the Company announced that a sale and purchase agreement was signed on 20 June 2016 and the Auction Acquisition was subsequently completed on 11 July 2016. The Group utilised approximately HK\$148.0 million to satisfy the cash portion of the consideration for the Auction Acquisition.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

OTHER INFORMATION**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company or any of their associates in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were set out below:

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

Name of Director	Note	Number of ordinary shares of HK\$0.50 each and nature of interest		Number of share options [#] Personal	Total Interests	Approximate percentage of Shareholding [†]
		Personal	Other			
Mr. Lu Jianzhong	1	–	325,680,424 (Long position)	3,500,000	329,180,424	69.35%
Mr. Wong Kwok Tung Gordon		–	–	2,500,000	2,500,000	0.52%
Mr. Yang Xingwen		–	–	2,500,000	2,500,000	0.52%
Mr. Wang Shi		–	–	250,000	250,000	0.05%
Mr. Jean-Guy Carrier		–	–	250,000	250,000	0.05%
Mr. Tse Yung Hoi		–	–	250,000	250,000	0.05%
Mr. Cheng Yuk Wo		–	–	250,000	250,000	0.05%
Ms. Fan Chiu Fun, Fanny		–	–	250,000	250,000	0.05%
Mr. Tsui Yiu Wa, Alec		–	–	250,000	250,000	0.05%

[#] Based on the total issued shares of 474,635,900 as at 30 June 2016.

^{##} Details of the share options are set out in section headed "Share Option Scheme" on page 10.

Note:

- 325,680,424 shares are held by Da Tang Xi Shi International Holdings Limited ("Da Tang"). Da Tang is wholly owned by Da Tang Xi Shi International Group Limited, which is wholly owned by 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*) ("DTXS Investment"). Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investment, was interested in 50.60% of the issued shares of DTXS Investment. As such, Mr. Lu Jianzhong is deemed to be interested in 325,680,424 shares of the Company.

* For identification purpose only

(b) Interests in shares of DTXS Investment, an associated corporation

Name of Directors	Number of shares	Approximate percentage of DTXS Investment's issued registered capital
Mr. Lu Jianzhong	110,000,000 (Long position)	50.60%
Mr. Yang Xingwen	30,000,000 (Long position)	13.80%

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

So far as is known to any Director or chief executive of the Company, as at 30 June 2016, the interests and short positions of the substantial shareholders (other than the Directors of the Company) in the shares of the Company as recorded in the register as required to be kept by the Company under Section 336 of the SFO were as follows:

Interests in shares of the Company

Name of shareholders	Note	Number of ordinary shares of HK\$0.50 each	Approximate percentage of Shareholding [#]
Da Tang	1	325,680,424	68.62%
Da Tang Xi Shi International Group Limited	1	325,680,424	68.62%
DTXS Investment	1	325,680,424	68.62%
Ms. Zhu Ronghua	2	325,680,424	68.62%

[#] Based on the total issued shares of 474,635,900 as at 30 June 2016.

Notes:

- Da Tang, acquired a controlling interest in the Company on 29 June 2015, is wholly owned by Da Tang Xi Shi International Group Limited. Da Tang Xi Shi International Group Limited is wholly owned by DTXS Investment, which is owned as to approximately 50.6% by Mr. Lu Jianzhong and approximately 13.8% by Mr. Yang Xingwen.
- Ms. Zhu Ronghua is deemed to be interested in 325,680,424 shares through the interest of her spouse, Mr. Lu Jianzhong.

SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 6 December 2012 (the "Option Scheme"), options were granted to the Directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK\$0.5 each in the capital of the Company. Pursuant to the Option Scheme, the Company has granted certain eligible persons options to subscribe for shares of the Company during the six months ended 30 June 2016.

Details of the movement in outstanding share options, which have been granted under the Option Scheme, during the period ended 30 June 2016 were as below:

Name or category of participants	Date of grant	Exercise price (HK\$)	Exercisable Period	As at	Granted	Exercised	Cancelled/	As at
				1 January 2016	during the period	during the period	Lapsed during the period	30 June 2016
(a) Directors								
Mr. Lu Jianzhong	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	3,500,000	-	-	3,500,000
Mr. Wong Kwok Tung Gordon	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	2,500,000	-	-	2,500,000
Mr. Yang Xingwen	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	2,500,000	-	-	2,500,000
Mr. Wang Shi	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	250,000	-	-	250,000
Mr. Jean-Guy Carrier	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	250,000	-	-	250,000
Mr. Tse Yung Hoi	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	250,000	-	-	250,000
Mr. Cheng Yuk Wo	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	250,000	-	-	250,000
Ms. Fan Chiu Fun, Fanny	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	250,000	-	-	250,000
Mr. Tsui Yiu Wa, Alec	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	250,000	-	-	250,000
(b) Employees in aggregate	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	4,000,000	-	-	4,000,000
(c) Other eligible participants	28/1/2016	3.00	28/1/2017 to 27/1/2026 ⁽¹⁾	-	1,500,000	-	-	1,500,000
Total				-	15,500,000	-	-	15,500,000

Notes:

- The closing price per Share immediately before 28 January 2016 (the date on which the share options were granted) was HK\$3.00.
- Share options granted under the Option Scheme on 28 January 2016 shall vest in the grantees in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date":

Vesting Date	Percentage of Share Options to vest
First anniversary of the Date of Grant	40% of the total number of options granted
Second anniversary of the Date of Grant	30% of the total number of options granted
Third anniversary of the Date of Grant	30% of the total number of options granted

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

For the six months ended 30 June 2016, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The Board will continue review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the Model Code for the six months ended 30 June 2016.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company's 2015 annual report are set out below:

Ms. Fan Chiu Fun, Fanny, Independent Non-executive Director, was appointed as an independent non-executive director of Nameson Holdings Limited on 29 January 2016 (stock code: 1982), the company has been listed on the Main Board of the Stock Exchange since 12 April 2016.

Mr. Tse Yung Hoi, Independent Non-executive Director, was appointed as an independent non-executive director of Global Tech (Holdings) Limited (stock code: 143) on 11 March 2016. He resigned as an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) with effect from 13 June 2016.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors. The primary responsibilities of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. The interim results of the Group for the six months ended 30 June 2016 have not been audited but have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the Audit Committee.

By order of the Board
Lu Jianzhong
Chairman

Hong Kong, 30 August 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED**

(incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2015 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	18,089	26,266
Other revenue		1,185	656
Staff costs		(16,466)	(9,032)
Marine, construction and structural steel engineering costs		(17,604)	(16,113)
Depreciation and amortisation		(3,847)	(4,200)
Gain (loss) on disposal of subsidiaries		8	(10,902)
Other operating expenses		(13,210)	(1,479)
Finance costs	5	(545)	(494)
Share of losses of joint ventures		(2,839)	(1,874)
Loss before taxation	6	(35,229)	(17,172)
Taxation	7	–	–
Loss for the period attributable to owners of the Company		(35,229)	(17,172)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		27	–
Reclassification of exchange fluctuation reserve upon disposal of subsidiaries		–	(6,117)
Total comprehensive loss for the period attributable to owners of the Company		(35,202)	(23,289)
		HK cents	HK cents
Loss per share	9		
Basic and diluted		(7.4)	(6.2)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	42,921	46,538
Lease prepayments		367	412
Interests in joint ventures		40,065	42,904
Deposits for acquisition of businesses	18	62,975	–
Other receivables		–	120
Loan receivables		–	948
		146,328	90,922
CURRENT ASSETS			
Inventories		11,626	5,967
Lease prepayments		70	72
Trade and other receivables	11	13,169	58,766
Amount due from a joint venture	13a	2,365	2,275
Amounts due from customers for contract work		15,840	11,847
Amounts due from related parties	13c	2,906	–
Cash and cash equivalents		463,300	531,896
		509,276	610,823
CURRENT LIABILITIES			
Trade and other payables	12	15,229	19,067
Obligations under finance leases		73	70
Loan from a related party	13b	29,059	41,044
Amount due to a joint venture	13a	6,658	6,656
Amounts due to related parties	13c	7,108	5,790
Amounts due to customers for contract work		–	1,710
Amounts due to directors of subsidiaries	13d	754	1,792
		58,881	76,129
NET CURRENT ASSETS		450,395	534,694
TOTAL ASSETS LESS CURRENT LIABILITIES		596,723	625,616

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2016

	Note	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Obligations under finance leases		30	67
		30	67
NET ASSETS			
		596,693	625,549
CAPITAL AND RESERVES			
Share capital	14	237,318	237,318
Reserves		359,375	388,231
TOTAL EQUITY			
		596,693	625,549

The condensed consolidated financial statements on pages 14 to 30 were approved and authorised for issue by the Board of Directors on 30 August 2016 and were signed on its behalf by:

Lu Jianzhong
Director

Wong Kwok Tung Gordon
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									
	Share capital	Share premium	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Scheme reserve	Revaluation reserve	Capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	237,318	795,359	-	1,264	3,687	1,054,095	5,574	5,223	(1,476,971)	625,549
Loss for the period	-	-	-	-	-	-	-	-	(35,229)	(35,229)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	27	-	-	-	-	27
Total comprehensive loss for the period	-	-	-	-	27	-	-	-	(35,229)	(35,202)
Share options granted	-	-	6,346	-	-	-	-	-	-	6,346
As at 30 June 2016 (unaudited)	237,318	795,359	6,346	1,264	3,714	1,054,095	5,574	5,223	(1,512,200)	596,693
At 1 January 2015 (unaudited)	137,558	326,824	3,798	1,264	11,131	1,054,095	5,610	5,223	(1,419,807)	125,696
Loss for the period	-	-	-	-	-	-	-	-	(17,172)	(17,172)
Reclassification of exchange fluctuation reserve upon disposal of subsidiaries	-	-	-	-	(6,081)	-	(36)	-	-	(6,117)
Total comprehensive loss for the period	-	-	-	-	(6,081)	-	(36)	-	(17,172)	(23,289)
Issuance of shares upon exercise of share options	1,568	931	-	-	-	-	-	-	-	2,499
As at 30 June 2015 (unaudited)	139,126	327,755	3,798	1,264	5,050	1,054,095	5,574	5,223	(1,436,979)	104,906

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	6,016	2,712
INVESTING ACTIVITIES		
Interest received	209	206
Deposits for acquisition of businesses	(62,975)	–
Purchase of property, plant and equipment	(230)	–
Repayment of loan receivables	948	–
Disposal of subsidiaries	–	1,097
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(62,048)	1,303
FINANCING ACTIVITIES		
Proceeds from shares issued upon exercise of share options	–	2,499
Interest paid	(545)	(494)
Repayment of loan from a related company	(11,985)	(4,149)
Payment for capital element of finance lease obligations	(34)	(33)
NET CASH USED IN FINANCING ACTIVITIES	(12,564)	(2,177)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,596)	1,838
Cash and cash equivalents at the beginning of the period	531,896	916
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	463,300	2,754

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for floating craft and vessels which are measured at revalued amounts.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the five months ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKFRS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE

The Group's turnover represents revenue derived from marine engineering and construction and structural steel engineering. Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue from marine engineering	15,467	25,850
Revenue from construction and structural steel engineering	2,622	416
	18,089	26,266

4. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines, i.e. on types of goods delivered or services provided. 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, for the purpose of resources allocation and performance assessment, the Group has the below reportable segments during the period. No operating segments have been aggregated to form the following reportable segments.

- Sales of jewellery
- Marine engineering
- Construction and structural steel engineering
- Sales of vessels

During the six months ended 30 June 2016, for performance assessment and resources allocation, the CODM focused on segment revenue attributable to each reportable segment and no longer review the results, assets and liabilities attributable to respective segments. The change in basis is to align with the Group's long term business strategy. No analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review.

Following the change, the segment information for the period ended 30 June 2015 has been represented to conform to the presentation of the current period's financial statements.

No inter-segment sales have occurred for the periods ended 30 June 2016 and 2015.

The following is an analysis of the Group's revenue by reportable segments for the period:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Sales of jewellery	–	–
Marine engineering	15,467	25,850
Construction and structural steel engineering	2,622	416
Sales of vessels	–	–
	18,089	26,266

5. FINANCE COSTS

Finance costs represent:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on loan from a related company	544	491
Finance charges on obligations under finance leases	1	3
	545	494

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	9,615	8,429
Contributions to defined contribution retirement plans	505	603
Share based payment expenses	6,346	–
	16,466	9,032
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	3,062	2,769
Direct overheads	4,276	4,047
Repairs, maintenance and vessel security	3,564	213
Transportation cost	6,702	9,084
	17,604	16,113
(c) Depreciation and amortisation		
Depreciation of property, plant and equipment	3,812	4,124
Release of lease prepayments	35	76
	3,847	4,200
(d) Other items (included in other operating expenses)		
Legal and professional fee	2,692	313
Secretarial and registration fee	1,972	–
Operating lease charges in respect of land and buildings	3,612	565
Reversal of impairment loss on other receivables upon collection	–	(2,691)

7. TAXATION

No provision for taxation was made for the group companies incorporated/established in Hong Kong, Singapore or the People's Republic of China ("PRC") as none of the group companies derive any assessable profits for both periods.

8. DIVIDENDS

No dividend was paid, declared or proposed during the periods ended 30 June 2016 and 2015.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(35,229)	(17,172)
	Number of ordinary shares ('000)	
Weighted average number of shares, basic	474,636	276,145*
Potentially dilutive ordinary shares – Share options	–	–
Weighted average number of shares, diluted	474,636	276,145
	HK cents	
Basic and diluted loss per share	(7.4)	(6.2)

* The weighted average number of ordinary shares for the purpose of basic loss per share had been adjusted for the bonus element of the open offer completed in December 2015 (note 14(a)(iv)).

For the periods ended 30 June 2016 and 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment, amounting to approximately HK\$230,000 (six months ended 30 June 2015: Nil).

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade receivables	4,487	40,465
Less: impairment loss	(2,122)	(2,122)
	2,365	38,343
Other receivables	10,320	14,497
Retention money receivables	484	2,024
Loan receivables	–	3,902
	13,169	58,766

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0 – 30 days	1,033	37,846
31 – 90 days	1,268	–
91 – 180 days	–	1
181 – 360 days	1	490
Over 360 days	63	6
	2,365	38,343

Except for retention money receivables, credit terms granted by the Group to customers generally range from 120 to 150 days and 90 days for jewellery customers.

12. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade creditors	6,267	4,747
Advances received from customers for contract works	758	661
Accruals and other payables	8,204	13,659
	15,229	19,067

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0 – 30 days	3,520	3,979
31 – 90 days	2,612	623
91 – 180 days	–	8
181 – 360 days	–	6
Over 360 days	135	131
	6,267	4,747

13. AMOUNT DUE FROM (TO) A JOINT VENTURE/LOAN FROM A RELATED PARTY/AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE TO DIRECTORS OF SUBSIDIARIES

(a) Amount due from (to) a joint venture

The balance is unsecured, interest-free and repayable on demand.

(b) Loan from a related party

The balance represented loan from Harbour Front Assets Investments Limited, a company ultimately controlled by directors of subsidiaries of the Company. The loan is unsecured, bearing interest at 5% per annum and with repayment date due on 31 December 2016.

(c) Amounts due from (to) related parties

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
<i>Amounts due from related parties</i>		
Stam (Hong Kong) Limited*	77	–
廣東積達工程有限公司*	140	–
Penta-Ocean-Gitanes Joint Venture*	2,689	–
	2,906	–
<i>Amounts due to related parties</i>		
Harbour Front Assets Investments Limited*	2,946	1,599
Harbour Front Limited*	326	326
Loyal Fit Investment Limited*	39	50
HF Marine Assets (Singapore) Pte. Ltd.*	–	381
UDL Engineering Pte. Ltd.*	9	9
HF Marine Assets (Hong Kong) Limited*	2,313	2,313
Chui Hing Construction Company Limited*	–	17
Gitanes Engineering Company Limited*	1,172	1,095
Argos Engineering (International) Company Limited*	3	–
UDL Marine Assets (S) Pte Limited*	64	–
UDL Marine (Singapore) Pte Ltd*	236	–
	7,108	5,790

* All the companies are controlled by a company ultimately controlled by the directors of subsidiaries of the Company.

The balances are unsecured, interest-free and have no fixed repayment terms.

(d) Amounts due to directors of subsidiaries

The balances are unsecured, interest-free and have no fixed repayment terms.

14. SHARE CAPITAL AND SHARE OPTIONS

(a) Authorised and issued share capital

	30 June 2016		31 December 2015	
	Number of ordinary shares '000	HK\$'000	Number of ordinary shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.5 each (note i)	5,000,000	2,500,000	480,000	240,000
			Number of ordinary shares '000	HK\$'000
Issued and fully paid:				
At 1 January 2015			275,115	137,558
Shares issued upon exercise of share options (note ii)			8,887	4,443
Shares issued by placing of shares (note iii)			55,024	27,512
Shares issued on open offer (note iv)			135,610	67,805
At 31 December 2015 and 30 June 2016			474,636	237,318

Notes:

(i) Authorised share capital

On 8 December 2015, the Company announced that, among others, in order to provide the Company with greater flexibility for future fund raising activities and investment opportunities as well as other corporate purposes, it proposed to increase the existing authorised share capital of the Company from HK\$240,000,000 divided into 480,000,000 shares to HK\$2,500,000,000 divided into 5,000,000,000 shares by creation of an additional 4,520,000,000 shares (the "Proposal"), which rank pari passu in all respects with the existing shares. An ordinary resolution for the Proposal were duly passed in a special general meeting of the Company held on 25 January 2016.

(ii) Share issued upon exercise of share options

For the year ended 31 December 2015, options to subscribe for 8,887,154 shares were exercised, for which HK\$4,443,000 was credited to share capital and HK\$5,902,000 was credited to the share premium amount.

(iii) Placing shares

On 6 October 2015, the Company completed the placing of 55,023,081 placing shares to not less than six places, who are independent third parties, at the price of HK\$2.50 per placing share pursuant to the terms and conditions of the placing agreement dated 15 September 2015. The net proceeds from the placing amounted to approximately HK\$137,000,000.

(iv) Open offer of new shares

On 9 December 2015, the Company completed the open offer of 135,610,257 offer shares at the subscription price of HK\$3.10 each on the basis of two offer shares for every five existing share held on the record date. The net proceeds from the placing amounted to approximately HK\$420,000,000.

14. SHARE CAPITAL AND SHARE OPTIONS (Continued)**(b) Share options**

The Company had adopted a share option scheme (the "2012 Share Option Scheme"). On 28 January 2016, 15,500,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. 40% of these share options under the 2012 Share Option Scheme 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 fair value of the exercise price is HK\$3.00 per share, which is the closing price of the ordinary shares of the Company immediately before the grant date.

The following is a summary of option transactions under the 2012 Share Option Scheme:

	Six months ended 30 June 2016	
	Number of options	Exercise price HK\$
Balance at the beginning of period	–	–
Options granted		
– directors	10,000,000	3.00
– employees and other eligible participants	5,500,000	3.00
Balance at the end of period	15,500,000	3.00

No stock options were granted during the year ended 31 December 2015.

The following table summarises information about share options outstanding and exercisable at 30 June 2016:

Expiring in	Options outstanding			Options exercisable	
	Number outstanding at 30 June 2016	Remaining contractual life (years)	Exercise price HK\$	Number exercisable at 30 June 2016	Exercise price HK\$
Year 2026	15,500,000	9.5	3.00	–	N/A
	15,500,000		3.00	–	N/A

14. SHARE CAPITAL AND SHARE OPTIONS (Continued)**(b) Share options (Continued)**

The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model (the "Model"). The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Model.

Fair value of share options and assumptions were as follows:

Date of grant	28 January 2016
Fair value option at measurement date	HK\$1.36 to HK\$1.53
Exercise price	HK\$3.00
Expected volatility	43.56%
Option life	10 years
Risk-free interest rate	1.686%
Early exercise multiple	director: 2.8x/ employee and other eligible participants: 2.2x
Expected dividend yield	Nil

The expected volatility was based on the historic volatility of the comparable companies for a period commensurate with the life of the 2012 Share Option Scheme, adjusted for any expected changes to future volatility due to publicly available information. The Group recognised approximately HK\$6,346,000 share-based payment expenses during the period ended 30 June 2016.

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Contract management fee income from a joint venture	–	13,464
Project service income from a related company*	8,987	11,021
Service fee from a related company*	1,490	385
Service fee paid to a related company*	2,285	2,755
Consultancy fee paid to a related company*	603	–
Car hiring fee paid to a joint venture	15	57
Finance costs payable to a related company*	544	491
Fuel purchase payable to related companies*	–	756

* Companies ultimately controlled by the directors of subsidiaries of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries, wages and other benefits	2,758	4,500
Share-based payment expenses	5,050	–
Contributions to defined contribution retirement plans	22	42
	7,830	4,542

16. 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:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within one year	5,379	6,955
Between the second and fifth year inclusive	10,674	12,747
More than five years	583	1,293
	16,636	20,995

17. COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Acquisitions of subsidiaries:		
Contracted, but not provided for	270,336	–

- (a) On 23 May 2016 and 22 July 2016, the Group entered into a memorandum of understanding and a sale and purchase agreement respectively to acquire 85% interest in m-Finance Group through the acquisition of the sale shares of Digital Mind Holdings Limited (the "m-Finance Acquisition"), for a total cash consideration of HK\$40.8 million subject to adjustments. An initial deposit of HK\$4 million had been paid by the end of the reporting period. The transaction was completed on 26 August 2016 and a down payment of HK\$24.8 million was paid on the same date. Details of the acquisition are set out in the announcements dated 22 July 2016 and 26 August 2016.
- (b) On 20 June 2016, the Group entered into a sale and purchase agreement to acquire the entire issued share capital of China King Sing Lun Fung Auction Holdings Company Limited and its subsidiaries for a total consideration of RMB250 million (equivalent to approximately HK\$292.5 million) subject to adjustment (the "Auction Acquisition"). The consideration will be settled by cash of RMB150 million and through allotment and issuance of 29,481,480 shares of the Company. Pursuant to certain structural contractual arrangements, the Group is entitled to obtain economic interest and benefits from its business activities of 北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*) ("Phoenixstar") upon completion. Phoenixstar is a company established in the PRC, which is engaged in the arts and collections auction business. An initial cash deposit of RMB50 million (equivalent to approximately HK\$59.0 million) had been paid. The transaction was subsequently completed on 11 July 2016 and the remaining cash consideration of RMB100 million was paid on the same date. Details of the acquisition are set out in the announcements dated 20 June 2016 and 11 July 2016.

* for identification purpose only

18. EVENT AFTER END OF THE REPORTING PERIOD

On 11 July 2016, the Auction Acquisition was completed, the remaining balance of cash consideration of RMB100 million was paid and 29,481,480 shares of the Company were allotted and issued to satisfy the consideration.

On 26 August 2016, the m-Finance Acquisition was completed and a down payment of HK\$24.8 million was paid.

Up to the date of this condensed consolidated financial statements, the valuation of the acquired businesses as stated in note 17 (a) and (b) above are still in progress and the post-acquisition financial information of these two businesses are yet available.