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DTXS Silk Road Investment Holdings Company Limited

大唐西市絲路投資控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “Board”) of DTXS Silk Road Investment Holdings Company Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers	4	115,822	71,410
Interest income from advances to consignors	4	30,028	17,020
Gross rental income	4	1,532	—
		147,382	88,430
Other income	5	6,229	61
Changes in inventories		(100,348)	(64,919)
Auction and related services costs		—	(2,670)
Staff costs	7(a)	(18,557)	(11,102)
Depreciation and amortisation expenses	7(b)	(11,123)	(8,887)
Other operating expenses	7(c)	(7,657)	(9,186)
Other gains and losses, net		(5,300)	(41)
Finance costs	6	(711)	(125)

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
			(Restated)
PROFIT/(LOSS) BEFORE TAX FROM			
CONTINUING OPERATIONS	7	9,915	(8,439)
Income tax credit/(expense)	8	<u>1,620</u>	<u>(391)</u>
PROFIT/(LOSS) FOR THE PERIOD FROM			
CONTINUING OPERATIONS		11,535	(8,830)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	10	<u>15,319</u>	<u>11,811</u>
PROFIT FOR THE PERIOD		<u><u>26,854</u></u>	<u><u>2,981</u></u>
OTHER COMPREHENSIVE EXPENSE			
<i>Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>(10,646)</u>	<u>(1,568)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>16,208</u></u>	<u><u>1,413</u></u>
Profit for the period attributable to:			
Owners of the parent		27,664	3,124
Non-controlling interests		<u>(810)</u>	<u>(143)</u>
		<u><u>26,854</u></u>	<u><u>2,981</u></u>
Total comprehensive income for the period attributable to:			
Owners of the parent		17,878	3,061
Non-controlling interests		<u>(1,670)</u>	<u>(1,648)</u>
		<u><u>16,208</u></u>	<u><u>1,413</u></u>

	<i>Note</i>	Unaudited Six months ended 30 June 2020	2019 (Restated)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT	<i>12</i>		
Basic			
For profit for the period		<u>HK4.14 cents</u>	<u>HK0.56 cents</u>
For profit/(loss) from continuing operations		<u>HK1.85 cents</u>	<u>HK(1.56) cents</u>
Diluted			
For profit for the period		<u>HK4.11 cents</u>	<u>HK0.56 cents</u>
For profit/(loss) from continuing operations		<u>HK1.83 cents</u>	<u>HK(1.56) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		114,633	121,656
Investment property		48,267	52,377
Intangible assets		75,183	80,300
Goodwill		126,267	128,563
Deferred tax assets		15,016	—
Properties under development		14,530	—
Deposit	13	—	63,501
		<hr/>	<hr/>
Total non-current assets		393,896	446,397
CURRENT ASSETS			
Properties under development		875,947	—
Completed properties held for sale		172,102	—
Inventories		46,655	49,019
Trade and other receivables	13	584,497	515,984
Loans receivable		184,235	—
Restricted bank deposits		3,354	—
Cash and cash equivalents		56,366	350,066
		<hr/>	<hr/>
		1,923,156	915,069
Assets of a disposal group classified as held for sale		—	32,540
		<hr/>	<hr/>
Total current assets		1,923,156	947,609
CURRENT LIABILITIES			
Trade and other payables	14	334,033	51,329
Contract liabilities		3,949	—
Interest-bearing bank and other borrowings		698,425	—
Tax liabilities		74,135	9,223
		<hr/>	<hr/>
		1,110,542	60,552
Liabilities directly associated with the assets classified as held for sale		—	31,103
		<hr/>	<hr/>
Total current liabilities		1,110,542	91,655

	<i>Note</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NET CURRENT ASSETS		812,614	855,954
TOTAL ASSETS LESS CURRENT LIABILITIES		1,206,510	1,302,351
NON-CURRENT LIABILITIES			
Other payables	14	3,934	8,602
Deferred tax liabilities		18,875	20,932
Total non-current liabilities		22,809	29,534
Net assets		1,183,701	1,272,817
EQUITY			
Equity attributable to owners of the parent			
Share capital		333,742	333,730
Reserves		771,767	931,277
Non-controlling interests		1,105,509	1,265,007
		78,192	7,810
Total equity		1,183,701	1,272,817

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

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”).

During the period, the Group were involved in the following principal activities:

- provision of auction and related services;
- production and sale of wines;
- trading of merchandise;
- sale and leasing of vessels, provision of marine engineering, vessel management and related services (disposed of during the current period); and
- property investment and development.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed interim financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

As disclosed in note 9 to the condensed interim financial information, a business combination under common control was completed during the six months ended 30 June 2020, where the business acquired in the business combination and the Company are both ultimately controlled by 大唐西市文化產業投資集團有限公司 (“DTXS Investments”). Under the pooling-of-interests method, the net assets of the combining entities are consolidated using the existing book values from DTXS Investments’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill. The condensed consolidated statement of profit or loss and other comprehensive income of the Group includes the results of the acquired business from the date when the acquiring company obtains control of the acquired business. No restatement was made for periods prior to the business combination under common control effected during the period ended 30 June 2020.

The accounting policies adopted in the preparation of the unaudited condensed interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendments to HKFRS 3 *Definition of a Business*, Amendments to HKAS 1 and HKAS 8 *Definition of Material* and Amendments to HKFRS 16 *Covid-19-Related Rent Concessions*, the new and revised standards are not relevant to the preparation of this unaudited condensed interim financial information.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for a lease of the Group's office properties has been reduced by the lessor as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. The amendments did not have significant impact on the Group's unaudited condensed interim financial information.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited condensed interim financial information.

3. OPERATING SEGMENT INFORMATION

The Group manages its businesses by division. 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, for the purposes of performance assessment and resources allocation.

During the period, the Group has four reportable segments for the continuing operations as follows:

- Arts and Cultural Division — mainly represents auction business and sale of antiques, art financing business and Art Central Business District business ("ACBD business")
- Winery Division — mainly represents operation of vineyard, production and sale of wines and related business
- e-Commerce Division — mainly represents trading of merchandise (including electronic devices, cosmetics and other consumer products) and provision of related services
- Property Development Division — mainly represents the property investment and property development business (acquired during the period ended 30 June 2020)

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Segment results

During the period ended 30 June 2020, for performance assessment and resource allocation, the CODM focused on segment revenue and results attributable to each segment, which is measured by reference to respective segments' results before tax. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/loss of each segment without allocation of central administration costs, directors' remuneration and gain/loss on disposal of subsidiaries.

Continuing operations

For the six months ended 30 June 2020

	Arts and Cultural Division <i>HK\$'000</i> (Unaudited)	Winery Division <i>HK\$'000</i> (Unaudited)	e-Commerce Division <i>HK\$'000</i> (Unaudited)	Property Development Division <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue						
Revenue from external customers	14,720	290	102,057	287	—	117,354
Interest income from advances to consignors	30,028	—	—	—	—	30,028
Intersegment sales	—	—	10	—	(10)	—
Revenue from continuing operations	<u>44,748</u>	<u>290</u>	<u>102,067</u>	<u>287</u>	<u>(10)</u>	<u>147,382</u>
Segment results*	<u>28,263</u>	<u>(1,123)</u>	<u>279</u>	<u>(2,124)</u>	<u>—</u>	<u>25,295</u>
Reconciliation:						
Unallocated other income						2,724
Unallocated other gains and losses						(469)
Unallocated corporate and other expenses						(17,635)
Profit before tax for the period from continuing operations						<u>9,915</u>

For the six months ended 30 June 2019 (restated)

	Arts and Cultural Division <i>HK\$'000</i> (Unaudited)	Winery Division <i>HK\$'000</i> (Unaudited)	e-Commerce Division <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue					
Revenue from external customers	4,083	1,431	65,896	—	71,410
Interest income from advances to consignors	17,020	—	—	—	17,020
Intersegment sales	—	316	—	(316)	—
Revenue from continuing operations	<u>21,103</u>	<u>1,747</u>	<u>65,896</u>	<u>(316)</u>	<u>88,430</u>
Segment results*	<u>5,215</u>	<u>(499)</u>	<u>389</u>	<u>—</u>	<u>5,105</u>
Reconciliation:					
Unallocated other gains and losses					1
Unallocated corporate and other expenses					(13,545)
Loss before tax for the period from continuing operations					<u>(8,439)</u>

* Segment results are before tax.

(b) **Geographical information**

The Group's operations are located in Hong Kong, Mainland China 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 periods ended 30 June 2020 and 2019; and (ii) the Group's property, plant and equipment, investment property, properties under development, goodwill and intangible assets ("specified non-current assets") as at 30 June 2020 and 31 December 2019. 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, investment property and properties under development is based on the physical location of the assets and the geographical location of goodwill and intangible assets is based on the location of the respective business operations.

	Revenue from external customers		Specified non-current assets	
	Six months ended		as at	
	30 June 2020	30 June 2019	30 June 2020	31 December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)		
Hong Kong	137,670	78,442	12,159	16,769
Mainland China	9,582	9,977	345,656	344,424
France	130	11	21,065	21,703
	147,382	88,430	378,880	382,896

4. **REVENUE**

An analysis of revenue from continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
<i>Revenue from contracts with customers</i>		
Sale of merchandise	102,347	67,327
Auction and related services	13,475	4,083
	115,822	71,410
<i>Revenue from other sources</i>		
Interest income from advances to consignors	30,028	17,020
Gross rental income from investment property operating leases — with fixed lease payments	1,532	—
	31,560	17,020
Total revenue	147,382	88,430

Disaggregation of revenue information:

For the six months ended 30 June 2020

Segments	Arts and Cultural Division <i>HK\$'000</i> (Unaudited)	Winery Division <i>HK\$'000</i> (Unaudited)	e-Commerce Division <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Types of goods or services				
Sale of merchandise	—	290	102,057	102,347
Auction and related services	<u>13,475</u>	<u>—</u>	<u>—</u>	<u>13,475</u>
Total	<u><u>13,475</u></u>	<u><u>290</u></u>	<u><u>102,057</u></u>	<u><u>115,822</u></u>

For the six months ended 30 June 2019 (restated)

Segments	Arts and Cultural Division <i>HK\$'000</i> (Unaudited)	Winery Division <i>HK\$'000</i> (Unaudited)	e-Commerce Division <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Types of goods or services				
Sale of merchandise	—	1,431	65,896	67,327
Auction and related services	<u>4,083</u>	<u>—</u>	<u>—</u>	<u>4,083</u>
Total	<u><u>4,083</u></u>	<u><u>1,431</u></u>	<u><u>65,896</u></u>	<u><u>71,410</u></u>

All revenue from contracts with customers is recognised at the point in time when the control of the assets is transferred or the services are provided to the customers.

5. OTHER INCOME

An analysis of other income from continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Bank interest income	1,210	32
Interest income from loans receivable	3,330	—
Sundry income	1,689	29
	<u>6,229</u>	<u>61</u>

6. FINANCE COSTS

An analysis of finance costs from the continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Interest on bank and other borrowings	12,967	—
Interest on lease liabilities	242	125
	<u>13,209</u>	<u>125</u>
Less: interest capitalised	<u>(12,498)</u>	<u>—</u>
	<u>711</u>	<u>125</u>

7. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
(a) Staff costs (including the directors' remuneration)		
Salaries, wages and other benefits	15,907	10,483
Contributions to defined contribution retirement plans	665	300
Share-based payment expenses	1,985	319
	<u>18,557</u>	<u>11,102</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	2,507	4,644
Less: Amount included in inventory overheads	(530)	(309)
	<u>1,977</u>	<u>4,335</u>
Depreciation of right-of-use assets	5,432	576
Amortisation of intangible assets	3,714	3,976
	<u>11,123</u>	<u>8,887</u>
(c) Other items (included in other operating expenses)		
Legal and professional fees	1,850	732
Secretarial and registration fees	269	231
Lease payments not included in the measurement of lease liabilities	98	4,123
	<u>98</u>	<u>4,123</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2019: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited) (Restated)
Current — Hong Kong		
Charge for the period	2,222	547
Overprovision in prior periods	(2,558)	—
Current — PRC	944	784
Deferred tax	<u>(2,228)</u>	<u>(940)</u>
Total tax charge/(credit) for the period	<u><u>(1,620)</u></u>	<u><u>391</u></u>

9. BUSINESS COMBINATION UNDER COMMON CONTROL

On 12 March 2020, the Group acquired 100% equity interest in HK DTXS Enterprise Holdings (BVI) Limited and its subsidiaries (collectively referred to as “DTXS Enterprise Group”) at a cash consideration of approximately HK\$212 million from Da Tang Xi Shi International Group Limited, a direct wholly-owned subsidiary of DTXS Investments. As the Group and DTXS Enterprise Group are under the common control of DTXS Investments before and after the acquisition, the business combination has been accounted for in the unaudited condensed interim financial information of the Group as a business combination under common control.

The Group elects to account for the common control combination using the pooling-of-interest method and the results of DTXS Enterprise Group are consolidated by the Group from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The difference between the cash consideration and the carrying amount of the net assets of DTXS Enterprise Group, excluding non-controlling interests amounting to approximately HK\$32,523,000 at the completion date, is recognised in merger reserve amounting to HK\$179,433,000.

Details of the carrying accounts of the assets and liabilities of DTXS Enterprise Group as at the date of acquisition are as follows:

	As at 12 March 2020 HK\$'000 (Unaudited)
Property, plant and equipment	1,753
Deferred tax assets	14,759
Properties under development	866,022
Completed properties held for sale	175,310
Trade and other receivables	32,060
Loans receivable	72,743
Restricted bank deposits	4,726
Cash and cash equivalents	1,328
Trade and other payables	(329,117)
Contract liabilities	(1,443)
Borrowings	(667,714)
Tax payable	(65,852)
	<hr/>
Net assets of DTXS Enterprise Group	104,575
Non-controlling interests	(72,052)
	<hr/>
	32,523
Merger reserve recognised	179,433
	<hr/>
	211,956
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10. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

On 30 December 2019, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in UDL Ventures Limited and its subsidiaries (collectively referred as the “UDL Group”) to an independent third party, Harbour Front Limited, at a cash consideration of HK\$16,756,000 and the disposal was completed on 3 February 2020. The principal business of the UDL Group was carrying out engineering services. The results of the UDL Group up till the completion date of the transaction are accounted for as discontinued operation in the Group's condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 and the comparative figures for preceding interim period were restated accordingly.

The profit for the six months ended 30 June 2020 and 2019 from the discontinued operation is as follows:

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	—	27,990
Other income	—	774
Staff costs	—	(2,607)
Marine engineering, vessel management and related service costs	—	(10,624)
Other gains and losses	—	(48)
Depreciation and amortisation expenses	—	(1,710)
Other operating expenses	—	(466)
Finance costs	—	(1,498)
	<hr/>	<hr/>
Profit for the period from the UDL Group	—	11,811
Gain on disposal of the UDL Group	15,319	—
	<hr/>	<hr/>
	15,319	11,811
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities disposed of at disposal date are disclosed below:

	2020 HK\$'000 (Unaudited)
Property, plant and equipment	11,417
Trade and other receivables	19,082
Inventories	1,095
Cash and cash equivalents	946
Trade and other payables	(26,251)
Borrowings	(4,852)
	<hr/>
Net assets disposed of	1,437
Gain on disposal	15,319
	<hr/>
	16,756
	<hr/> <hr/>

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings or loss per share amounts is based on the profit/loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 667,475,582 (2019: 555,938,000) in issue during the period ended 30 June 2020.

The calculation of the diluted earnings/loss per share amounts attributable to discontinued operation and for the Group are based on the profit/loss for the period attributable to ordinary equity holders of the parent for the discontinued operation and for the Group. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings/loss per share calculation, and the weighted average number of ordinary shares is assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has made to the basic loss per share amount from continuing operations presented for the six months ended 30 June 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount from continuing operations presented.

The calculation of the basic and diluted earnings per share attributable to owners of the parent is based on:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings/(loss)		
Profit/(loss) for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	12,345	(8,687)
From discontinued operation	15,319	11,811
	<u>27,664</u>	<u>3,124</u>
Profit for the period attributable to ordinary equity holders of the parent	<u>27,664</u>	<u>3,124</u>
	Number of shares	
	as at 30 June	
	2020	2019
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	667,475,582	555,938,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	5,338,431	2,585,000
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>672,814,013</u>	<u>558,523,000</u>

13. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
— Receivables from customers	25,071	21,993
— Interest receivables	47,898	36,048
	<u>72,969</u>	<u>58,041</u>
Other receivables (<i>note (a)</i>)		
— Current portion	511,528	457,943
— Non-current portion	—	63,501
	<u>511,528</u>	<u>521,444</u>
	<u>584,497</u>	<u>579,485</u>

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Unbilled	14,655	7,623
0–30 days	9,183	32,439
31–90 days	25,038	3,397
91–180 days	4,880	4,412
181–360 days	11,070	6,253
Over 360 days	8,143	3,917
	<u>72,969</u>	<u>58,041</u>

Note (a):

As at 30 June 2020, advances to consignors for auction business amounted to approximately HK\$460,540,000 (31 December 2019: HK\$435,339,000). The balance is secured by pledged auction items (high valued Chinese art collectibles and antiques) from consignors which will be offset from sales proceeds of auction items, and with fixed interest rates from 10% to 21.6% per annum (31 December 2019: 10% to 24% per annum). These advances to consignors for art financing business are generally repayable within a period of 1 year of the draw-down date or 60 days after the pledged auction items are listed in auction.

14. TRADE AND OTHER PAYABLES

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade creditors	207,828	2,324
Accruals	8,304	6,236
Lease liabilities	13,492	17,653
Other payables	108,343	33,718
	<u>337,967</u>	<u>59,931</u>
Analysed into:		
— Current portion	334,033	51,329
— Non-current portion	3,934	8,602
	<u>337,967</u>	<u>59,931</u>

An ageing analysis of the trade creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–30 days	128,114	524
31–90 days	7,941	298
91–180 days	3,648	16
181–360 days	2,193	444
Over 360 days	65,932	1,042
	<u>207,828</u>	<u>2,324</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW, AND PROSPECT

The Group recorded a revenue from continuing operations of approximately HK\$147.4 million (30 June 2019: HK\$88.4 million) for the six months ended 30 June 2020. Profit for the period reached approximately HK\$26.9 million (30 June 2019: HK\$3.0 million).

Arts and Cultural Division

This division, comprising the auction business and Art Central Business District business (“ACBD Business”), contributed a segment revenue of approximately HK\$44.7 million (30 June 2019: HK\$21.1 million) and a segment profit before taxation of approximately HK\$28.3 million (30 June 2019: HK\$5.2 million) for the six months ended 30 June 2020.

Auction Business

Due to the outbreak of coronavirus disease 2019 (“COVID-19”), one online auction was held in late August 2020 covering bronze mirrors and inscriptions on the stone tablets. Commission income from previous auctions held of approximately HK\$28.8 million had been received up to the end of August 2020.

ACBD Business

The Company has established two ACBD centers in Xi’an and in Hong Kong respectively. The main business functions of these centers are to provide integrated functions of storage, exhibition, auction, promotion and trading of arts and collections. The centers aim to create a strong network with other art and culture partners for hosting events and building relationship. Also, the centers are expected to create a synergy effect with the operations of Silk Road International Culture Center.

Winery Division

This division contributed a segment revenue of approximately HK\$0.3 million (30 June 2019: HK\$1.4 million) and with a segment loss before taxation of approximately HK\$1.1 million (30 June 2019: HK\$0.5 million) for the six months ended 30 June 2020.

The Group acquired Chateau Puy Bardens located at Bordeaux in France, a world renowned area for the production of quality wine in 2017. Since acquisition, we continued to enhance the quality of wine and it was encouraging that we received an outstanding 92 points from James Suckling’s 2019 tasting report. Wines produced by the chateau are full-bodied and aromatic with a rich and smooth texture. During the period, we have engaged a professional winery management team to conduct a comprehensive assessment on the vineyard of the chateau, health condition of grapes and solutions to

enhance wine quality. We have also engaged a leading oenologist in Bordeaux to fine-tune the taste, resulting in a huge boost to our wine quality. Three premium series, namely the Chateau Series, the Chinese Zodiac Series and the Peak, have been developed so far, together with the collections of high, moderate and low organic ingredients, altogether with more than 30 products. In addition, we cooperate with world-renowned painters and master brewers to develop a sizable product line with characteristics of the winery division of DTXS, which gradually becomes one of the major business segments of the Group. Although sales plans of wines have been delayed amid the COVID-19 pandemic, we proactively set up various distribution channels and organise wine promotion campaigns in Hong Kong, the People's Republic of China (the "PRC") and Europe to create earnings and brand awareness for the chateau.

E-Commerce Division

This division contributed a segment revenue of approximately HK\$102.1 million (30 June 2019: HK\$65.9 million) and a segment profit before taxation of approximately HK\$0.3 million (30 June 2019: HK\$0.4 million) for the six months ended 30 June 2020.

Due to the outbreak of COVID-19, the management is reviewing the strategic positioning and business operations of the e-Commerce division.

Property Development Division

This division contributed a segment revenue of approximately HK\$0.3 million (30 June 2019: Not applicable) and a segment loss before taxation of approximately HK\$2.1 million (30 June 2019: Not applicable) for the six months ended 30 June 2020.

The properties are located in Tang West Market, Lianhu District in Xi'an City, the PRC. Based on the current business plan, the properties have been planned to develop into the Silk Road International Culture Center with comprehensive cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street. Silk Road International Culture Center comprises three office buildings, a shopping mall and a five-star hotel. The three office buildings are estimated to have an aggregate gross floor area of approximately 120,000 sq.m. Two blocks of office buildings had conducted its topping-out ceremony in February 2020, and obtained the pre-sale permit for these two blocks of office buildings and the pre-sale has begun. Adjacent to and below the office buildings, there will be a shopping mall with total estimated gross floor area of approximately 30,000 sq.m. and the major feature of the shopping mall is the European section of Silk Road Culture Street. The shopping mall will attract retail operators of local and international brands, food and beverage operators and cultural artworks-related operators. The shopping mall is expected to become one of Xi'an City leisure and tourism hotspots. Within the area of Silk Road International Culture Center, a five-star

hotel with modern recreational facilities and meeting venue will be established and managed by an international hotel operator. In addition, the Artwork Central Business District, which will provide business operation areas for artwork-related companies and organisations, has been planned to establish in the Silk Road International Culture Center. The Artwork Central Business District will set up an integrated multi-purpose region for the comprehensive artwork industry chain, with its functions ranging from exhibitions and sales, pledges and pawns, displays and auctions, authentications and appraisals of artworks to art financing services, with a view to promoting the development of the cultural artworks operations and cultural artwork financing businesses in the region. With the collaboration of the management expertise of the Group, the Group is confident to develop cultural artworks operations and cultural artwork financing businesses after the completion.

OUTLOOK

Although the Group recorded a profit in the first half of 2020, the economic slowdown arisen from the continuous outbreak of COVID-19 as well as geo-political tensions may adversely affect the businesses and operations of the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's operations and acquisition activities were mainly financed by funds raised through subscription of new shares of the Company in August 2019 and internal resources.

As at 30 June 2020, the Group's total bank balances and cash amounted to approximately HK\$56.4 million, representing a decrease of approximately HK\$293.7 million as compared with the bank balances and cash of approximately HK\$350.1 million as at 31 December 2019. The decrease was mainly attributable to the additional financial resources deployed in the art financing business and acquisition of the properties planned to develop into the Silk Road International Culture as previously mentioned during the period under review.

As at 30 June 2020, the Group had outstanding secured borrowings of approximately HK\$655.5 million and unsecured borrowings of approximately HK\$42.9 million (31 December 2019: Nil). The total amount of borrowings of approximately HK\$698.4 million (31 December 2019: Nil) is repayable within one year.

GEARING

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent. Net debt includes total borrowings less cash and cash equivalents. The gearing ratio of the Group was approximately 58.1% as at 30 June 2020 (31 December 2019: Not applicable).

FOREIGN EXCHANGE EXPOSURE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars and Renminbi, representing the functional currency of respective group companies. Income and expenses derived from the operations in the PRC are mainly denominated in Renminbi.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) using exchange rates prevailing at 30 June 2020. Income and expense items are translated at the average exchange rates for the period ended 30 June 2020. Exchange loss arising from the translation of foreign operations of approximately HK\$10.6 million (31 December 2019: HK\$7.8 million) for the interim period are recognised in other comprehensive income and accumulated in equity under the heading of "exchange differences on translation of foreign operations".

On the disposal of a foreign operation involving loss of control over a subsidiary that includes a foreign operation, the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

HUMAN RESOURCES

As at 30 June 2020, other than outsourcing vendors but including contract workers, the Group has approximately 136 employees (31 December 2019: 87) in Hong Kong and the PRC. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

As at 30 June 2020, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$24.1 million (31 December 2019: Not applicable); and (ii) guarantees to banks in respect of loans provided by the banks to the customers from property development division and to a related party in the aggregate amount of approximately HK\$497.2 million (31 December 2019: Not applicable).

HEDGING, ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

On 29 November 2019, DTXS Silk Road Investment Development Company Limited, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Da Tang Xi Shi International Group Limited, a wholly-owned subsidiary of Da Tang Xi Shi Investments Group Limited* (大唐西市文化產業投資集團有限公司), which is owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen, in respect of the proposed acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited (the “Target Company”) (the “Acquisition”) together with the guarantee arrangements. The Target Company indirectly holds approximately 69.97% of the equity interest of Xi’an Da Tang Xi Shi Enterprise Limited* (西安大唐西市實業有限公司), which is the sole legal and beneficial owner of the properties and land located in the Tang West Market in Xi’an City, Shaanxi Province, the PRC (the “Project”). Therefore, the Target Company owns approximately 69.97% of the equity interest of the Project. The Acquisition was completed on 12 March 2020.

On 30 December 2019, the Company and Harbour Front Limited entered into a sale and purchase agreement, pursuant to which the Company agreed to sell and Harbour Front Limited agreed to purchase the entire issued share capital of UDL Ventures Limited, a direct wholly-owned subsidiary of the Company, and the assignment of the shareholder loan for a consideration of HK\$16,756,000. Such disposal was completed on 3 February 2020.

Save as disclosed above, the Group did not (i) employ any financial instruments for hedging purposes; (ii) undertake any material acquisitions or disposals of assets, business or subsidiaries; or (iii) make any significant investments during the period under review.

CAPITAL COMMITMENT

At 30 June 2020, the Group has capital commitments amounted to approximately HK\$418.3 million (31 December 2019: HK\$148.7 million).

SUBSEQUENT EVENT

The outbreak of COVID-19 since early 2020 has brought about additional uncertainties in the Group’s operating environment and may impact the Group’s operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group’s businesses and has commenced to put in place various measures. Based on the information currently available, the directors of the Company confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this announcement. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

* *For identification purpose only*

USE OF PROCEEDS

The net proceeds raised from the completion of the subscription of 111,187,538 new shares of the Company at the subscription price of HK\$5.3873 per subscription share on 28 August 2019 (the “Subscription”) was HK\$597.0 million. The original allocation of proceeds from the Subscription, the utilisation and remaining balance of the proceeds as at 30 June 2020 and 31 December 2019 are summarised as below:

Uses	Original allocation <i>HK\$ million</i>	For the year ended 31 December 2019		For the six months ended 30 June 2020	
		Utilised <i>HK\$ million</i>	Remaining balance <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Remaining balance <i>HK\$ million</i>
Acquisitions for arts and cultural related business ^(Note)	327.8	63.5	264.3	264.3	—
Expansion of the operation scale of the auction business of the Group	200.0	200.0	—	—	—
General working capital	69.2	69.2	—	—	—
Total	<u>597.0</u>	<u>332.7</u>	<u>264.3</u>	<u>264.3</u>	<u>—</u>

Note:

For the six months ended 30 June 2020, approximately HK\$148.5 million was used as the cash consideration for the acquisition of HK DTXS Enterprise Holdings (BVI) Limited and approximately HK\$115.8 million was injected to Xi’an Da Tang Xi Shi Enterprise Limited, an indirect non-wholly-owned subsidiary of HK DTXS Enterprise Holdings (BVI) Limited, as registered capital.

PROFIT GUARANTEE

As disclosed in the announcement of the Company dated 20 June 2016 regarding the acquisition of the entire issued share capital of China King Sing Lun Fung Auction Holdings Company Limited (“CKSLF”) and the announcement of the Company dated 26 June 2019, the vendors of CKSLF and its subsidiaries (the “Target Group”) have guaranteed to the Company that the audited consolidated net profit arising from the operating business after tax of the Target Group (the “Net Profit”) for each of the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than RMB25.0 million, RMB35.0 million and RMB45.0 million respectively.

Based on currently available information, the consolidated net profit arising from the operating business after tax in aggregate for the years ended 31 December 2017 and 2018 were approximately RMB62.5 million after taking into account for the commission income received from previous auctions held in the first 8 months in 2020, exceeding of RMB2.5 million as compared to the aggregate amount of profit guarantees from the first and second guaranteed periods as contemplated and guaranteed pursuant to the supplemental agreement dated 26 June 2019, which was agreed to be not less than RMB60 million. However, for the purpose of adjusting the consideration of the acquisition, the actual shortfall between the average Net Profit of the guaranteed period and the average profit guarantee has yet to be ascertained until the release of audited accounts of CKSLF for the three years ended 31 December 2019, which is expected to be available on or before 30 September 2020. Further announcement(s) will be made by the Company in relation to the profit guarantee as and when appropriate.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 30 June 2020 have not been reviewed by external auditor, but have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE

The Board is committed to establish and maintain good corporate governance standards. The Board believes that maintaining good standard of corporate governance practices are essential in providing a framework for the Company to enhance corporate value and accountability to the shareholders of the Company.

During the six months ended 30 June 2020, the Company has applied the principles and complied with code provisions (the “Code”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”), save for the followings:

Code A.6.7 requires the independent non-executive directors and other non-executive directors should attend general meetings. Due to other pre-arranged business commitments which had to be attended, one non-executive director was absent from the special general meeting of the Company held on 11 March 2020 and one independent non-executive director was absent from the annual general meeting of the Company held on 29 May 2020. However, the other executive directors and non-executive directors (including independent non-executive directors) of the Company had attended the general meetings to ensure effective communication with the shareholders of the Company.

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”) 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 during the six months ended 30 June 2020.

Senior management who, because of their offices in the Company, are likely to be in possession of inside information in relation to the Company’s securities, have also been represented to comply with the provision of the Model Code when dealing in the securities of the Company.

2020 INTERIM REPORT

The 2020 interim 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 of Hong Kong Limited (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
Xu Lin
Executive Director and Executive Vice-chairman

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Xu Lin (Executive Vice-chairman), Mr. Yang Xingwen, Mr. Lai Kim Fung (Co-Chief Executive Officer) and Mr. Wong Kwok Tung Gordon Allan (Deputy Chief Executive Officer); one Non-executive Director, namely Dr. Cheng Kar-Shun, Henry; and three Independent Non-executive Directors, namely Mr. Tse Yung Hoi, Mr. Kwok Chi Shing and Mr. Wang Shi.