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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 2021

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 2021, 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 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers	4	56,330	115,822
Interest income from advances to consignors	4	20,864	30,028
Gross rental income	4	1,353	1,532
		78,547	147,382
Other income	5	7,976	6,229
Cost of inventories sold		(21,194)	(100,348)
Auction and related services costs		(3,518)	—
Staff costs	7(a)	(20,358)	(18,557)
Depreciation and amortisation expenses	7(b)	(9,395)	(11,123)
Other operating expenses		(8,712)	(7,657)
Other gains and losses, net		(3,789)	(5,300)
Finance costs	6	(207)	(711)

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS			
	7	19,350	9,915
Income tax (expenses) credits	8	<u>(12,540)</u>	<u>1,620</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		6,810	11,535
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	10	<u>—</u>	<u>15,319</u>
PROFIT FOR THE PERIOD		<u>6,810</u>	<u>26,854</u>
OTHER COMPREHENSIVE INCOME (EXPENSE)			
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>6,393</u>	<u>(10,646)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>13,203</u>	<u>16,208</u>
Profit (loss) for the period attributable to:			
Equity holders of the Company		3,702	27,664
Non-controlling interests		<u>3,108</u>	<u>(810)</u>
		<u>6,810</u>	<u>26,854</u>
Total comprehensive income (expense) for the period attributable to:			
Equity holders of the Company		9,434	17,878
Non-controlling interests		<u>3,769</u>	<u>(1,670)</u>
		<u>13,203</u>	<u>16,208</u>

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic			
For profit for the period		<u>HK0.55 cents</u>	<u>HK4.14 cents</u>
For profit from continuing operations		<u>HK0.55 cents</u>	<u>HK1.85 cents</u>
Diluted			
For profit for the period		<u>HK0.55 cents</u>	<u>HK4.11 cents</u>
For profit from continuing operations		<u>HK0.55 cents</u>	<u>HK1.83 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		107,706	113,397
Investment properties		50,910	50,392
Intangible assets		74,526	77,719
Goodwill		138,519	137,111
Deferred tax assets		12,413	15,849
Properties under development		21,057	19,527
		405,131	413,995
CURRENT ASSETS			
Properties under development		1,088,257	1,002,458
Completed properties held for sale		161,767	176,835
Inventories		46,405	47,847
Trade and other receivables	13	1,051,527	620,038
Loans receivable		109,618	7,488
Restricted bank deposits		2,614	2,586
Cash and cash equivalents		39,377	193,396
		2,499,565	2,050,648
CURRENT LIABILITIES			
Trade and other payables	14	403,778	410,636
Interest-bearing borrowings		726,351	711,793
Tax liabilities		90,645	80,170
		1,220,774	1,202,599
NET CURRENT ASSETS		1,278,791	848,049
TOTAL ASSETS LESS CURRENT LIABILITIES		1,683,922	1,262,044

		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables	<i>14</i>	313	920
Interest-bearing borrowings		412,993	—
Deferred tax liabilities		18,631	19,408
		<u>431,937</u>	<u>20,328</u>
NET ASSETS		<u>1,251,985</u>	<u>1,241,716</u>
CAPITAL AND RESERVES			
Share capital		333,763	333,763
Reserves		839,166	824,603
Equity attributable to equity holders of the Company		1,172,929	1,158,366
Non-controlling interests		79,056	83,350
TOTAL EQUITY		<u>1,251,985</u>	<u>1,241,716</u>

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- provision of auction and related services
- production and sale of wines
- trading of merchandises
- properties investment and development
- sales and leasing of vessels, provision of marine engineering, vessel management and related services (disposed of during the six months ended 30 June 2020)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial information for the six months ended 30 June 2021 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 preparation of the unaudited condensed interim financial information in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed interim financial information has been prepared on the historical cost basis, except for investment properties, which are measured at fair value.

The unaudited condensed interim financial information for the six months ended 30 June 2021 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 2020.

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, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group include the results and cash flows 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 for the six months ended 30 June 2021 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 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 new/revised HKFRSs for the first time for the current period’s financial information:

Amendments to HKAS 39, HKFRS 4, *Interest Rate Benchmark Reform — Phase 2*
HKFRS 7, HKFRS 9 and HKFRS 16

The adoption of the above amendments does not have any significant 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.

Since the year ended 31 December 2020, as a result of the restructure of internal operation flow and financial information reporting, the Group has determined that the production and sales of wines shall be combined with the trading of merchandises as one operating segment and, therefore there are three reportable operating segments which are set out below. The comparative figures have been restated accordingly.

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

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 six months ended 30 June 2021, 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 certain finance costs.

Continuing operations

For the six months ended 30 June 2021

	Arts and Cultural Division <i>HK\$'000</i> (Unaudited)	Winery and Trading 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					
— Revenue from contracts with customers under HKFRS 15	5,533	2,887	47,910	—	56,330
— Interest income from advances to consignors	20,864	—	—	—	20,864
— Gross rental income from investment properties:					
Operating lease					
— with fixed lease payments	1,353	—	—	—	1,353
Revenue from continuing operations	<u>27,750</u>	<u>2,887</u>	<u>47,910</u>	<u>—</u>	<u>78,547</u>
Segment results*	<u>14,994</u>	<u>(8,802)</u>	<u>23,128</u>	<u>—</u>	<u>29,320</u>
<i>Reconciliation:</i>					
Unallocated other income					854
Unallocated other gains and losses, net					2,149
Unallocated corporate and other expenses					<u>(12,973)</u>
Profit before tax for the period from continuing operations					<u>19,350</u>

For the six months ended 30 June 2020

	Arts and Cultural Division <i>HK\$'000</i> (Unaudited)	Winery and Trading 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					
— Revenue from contracts with customers under HKFRS 15	13,475	102,347	—	—	115,822
— Interest income from advances to consignors	30,028	—	—	—	30,028
— Gross rental income from investment properties: Operating lease — with fixed lease payments	1,245	—	287	—	1,532
— Intersegment sales	—	10	—	(10)	—
Revenue from continuing operations	<u>44,748</u>	<u>102,357</u>	<u>287</u>	<u>(10)</u>	<u>147,382</u>
Segment results*	<u>28,263</u>	<u>(844)</u>	<u>(2,124)</u>	<u>—</u>	<u>25,295</u>
<i>Reconciliation:</i>					
Unallocated other income					2,724
Unallocated other gains and losses, net					(469)
Unallocated corporate and other expenses					<u>(17,635)</u>
Profit before tax for the period from continuing operations					<u>9,915</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 six months ended 30 June 2021 and 2020; and (ii) the Group's property, plant and equipment, investment properties, intangible assets, goodwill and properties under development ("Specified Non-Current Assets") at 30 June 2021 and 31 December 2020. 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 properties and properties under development is based on the physical location of the assets and the geographical location of intangible assets and goodwill is based on the location of the respective business operations.

	Revenue from external customers		Specified Non-Current Assets	
	Six months ended		At	
	30 June 2021	30 June 2020	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	16,808	137,670	2,245	5,130
Mainland China	61,339	9,582	369,591	370,755
France	400	130	20,882	22,261
	<u>78,547</u>	<u>147,382</u>	<u>392,718</u>	<u>398,146</u>

4. **REVENUE**

An analysis of revenue from continuing operations is as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers under HKFRS 15</i>		
Sale of merchandises and wines	2,887	102,347
Sale of properties	47,910	—
Auction and related services	5,533	13,475
	<u>56,330</u>	<u>115,822</u>
<i>Revenue from other sources</i>		
Interest income from advances to consignors	20,864	30,028
Gross rental income from investment properties: Operating leases — with fixed lease payments	1,353	1,532
	<u>22,217</u>	<u>31,560</u>
Total revenue	<u>78,547</u>	<u>147,382</u>

5. OTHER INCOME

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	46	1,210
Gross rental income from completed properties held for sale	2,809	—
Interest income from loans receivable	5,028	3,330
Sundry income	93	1,689
	<u>7,976</u>	<u>6,229</u>

6. FINANCE COSTS

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	24,803	12,967
Interest on lease liabilities	97	242
	<u>24,900</u>	<u>13,209</u>
Total borrowing costs	24,900	13,209
Less: Borrowing costs capitalised into properties under development	<u>(24,693)</u>	<u>(12,498)</u>
	<u>207</u>	<u>711</u>

7. PROFIT BEFORE TAX

Profit before tax from continuing operations has been carried at after charging (crediting):

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including the directors' remuneration)		
Salaries, allowances and other benefits in kind	19,030	15,907
Contributions to defined contribution retirement plans	1,149	665
Share-based payment expenses	3,141	1,985
Forfeiture of share options within the vesting period	(2,962)	—
	<u>20,358</u>	<u>18,557</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	1,650	2,507
Less: Amount included in inventory overheads	(487)	(530)
	<u>1,163</u>	<u>1,977</u>
Depreciation of right-of-use assets	4,247	5,432
Amortisation of intangible assets	3,985	3,714
	<u>9,395</u>	<u>11,123</u>
(c) Other items (included in other operating expenses and other gains and losses)		
Legal and professional fees	1,137	1,850
Secretarial and registration fees	419	269
Impairment loss on trade and other receivables	7,127	—
Lease payments not included in the measurement of lease liabilities	29	98
	<u>29</u>	<u>98</u>

8. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2021, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Group's entities established in the People's Republic of China (the "PRC") are subject to Enterprise Income Tax ("EIT") of the PRC at a statutory rate of 25% (2020: 25%) for the six months ended 30 June 2021.

The PRC Land Appreciation Tax ("LAT") was provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax		
Current period	—	2,222
Overprovision in prior periods	—	(2,558)
	—	(336)
PRC EIT	920	944
PRC LAT	9,000	—
	9,920	608
Deferred tax	2,620	(2,228)
Tax expenses (credits) for the period	12,540	(1,620)

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\$212,000,000 from Da Tang Xi Shi International Group Limited, a direct wholly-owned subsidiary of DTXS Investments since the Group planned to strengthen its exposure in the cultural-related real estate investment and development in the strategically important regions in the PRC. 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 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, at the completion date is recognised in merger reserve amounting to approximately HK\$179,433,000.

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

	At 12 March 2020 <i>HK\$'000</i>
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	2,422
Cash and cash equivalents	3,632
Trade and other payables	(330,560)
Interest-bearing borrowings	(667,714)
Tax liabilities	(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
	<hr/> <hr/>

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 interests in UDL Ventures Limited and its subsidiaries (collectively referred to as the “UDL Group”) to an independent third party, Harbour Front Limited, at a consideration of approximately HK\$16,756,000. The UDL Group carried out all of the Group’s business of the Engineering Services Division.

The results of the UDL Group up till the completion date of the disposal are accounted for as discontinued operation in the Group’s unaudited condensed consolidated statement of profit or loss and other comprehensive income. The disposal was completed on 3 February 2020.

The results of the UDL Group for the six months ended 30 June 2020 are presented below:

	Six months ended 30 June 2020 <i>HK\$’000</i> (Unaudited)
Gain on disposal of UDL Group	<u>15,319</u>
Profit for the period from discontinued operation	<u><u>15,319</u></u>

11. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares of 667,525,230 (six months ended 30 June 2020: 667,475,582) in issue during the six months ended 30 June 2021.

For the six months ended 30 June 2021 and 2020, the calculation of the diluted earnings per share amounts attributable to discontinued operation and for the Group are based on the profit for the period attributable to equity holders of the Company 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 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.

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	3,702	12,345
From discontinued operation	—	15,319
	<u>3,702</u>	<u>15,319</u>
Profit for the period attributable to equity holders of the Company	<u><u>3,702</u></u>	<u><u>27,664</u></u>
	Number of shares	
	At 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	667,525,230	667,475,582
Effect of dilution — weighted average number of ordinary shares:		
Share options	3,663,537	5,338,431
	<u>3,663,537</u>	<u>5,338,431</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u><u>671,188,767</u></u>	<u><u>672,814,013</u></u>

13. TRADE AND OTHER RECEIVABLES

	30 June 2021	31 December 2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
— Receivables from customers	29,965	28,325
— Interest receivables	75,456	55,182
Loss allowances	(7,972)	(3,632)
	<u>97,449</u>	<u>79,875</u>
	<i>13(a)</i>	
Other receivables	957,069	540,367
Loss allowances	(2,991)	(204)
	<u>954,078</u>	<u>540,163</u>
	<u>1,051,527</u>	<u>620,038</u>

- (a) An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowances, is as follows:

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Unbilled	11,590	6,214
0–30 days	11,840	9,997
31–90 days	2,170	12,574
91–180 days	4,393	15,821
181–360 days	36,602	21,378
Over 360 days	30,854	13,891
	<u>97,449</u>	<u>79,875</u>

- (b) At 30 June 2021, advances to consignors for auction business amounted to approximately HK\$438,292,000 (31 December 2020: HK\$481,036,000). The balance is secured by pledged auction items (Chinese art collectibles and antiques) from consignors and bears interest at fixed interest rates ranging from 8% to 15% per annum (31 December 2020: 8% to 22%). These advances to consignors for art financing business are generally repayable within a period of 1 year from the draw-down date or 60 days after the pledged auction items are listed in auction.

14. TRADE AND OTHER PAYABLES

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	138,243	167,532
Accruals	10,247	8,981
Lease liabilities	3,514	6,966
Other payables	<u>252,087</u>	<u>228,077</u>
	<u>404,091</u>	<u>411,556</u>
Analysed into		
— Current portion	403,778	410,636
— Non-current portion	<u>313</u>	<u>920</u>
	<u>404,091</u>	<u>411,556</u>

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

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
0–30 days	16,601	12,268
31–90 days	3,525	25,721
91–180 days	8,731	47,666
181–360 days	65,649	10,500
Over 360 days	<u>43,737</u>	<u>71,377</u>
	<u>138,243</u>	<u>167,532</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW, AND PROSPECT

The Group recorded a revenue from continuing operations of approximately HK\$78.5 million (30 June 2020: HK\$147.4 million) for the six months ended 30 June 2021. Profit for the period reached approximately HK\$6.8 million (30 June 2020: HK\$26.9 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\$27.8 million (30 June 2020: HK\$44.7 million) and a segment profit before tax of approximately HK\$15.0 million (30 June 2020: HK\$28.3 million) for the six months ended 30 June 2021.

Auction Business

Due to the outbreak of coronavirus disease 2019 (“COVID-19”), scheduled large scale auctions could not be held during the year of 2020 and were postponed to 2021. During the six months ended 30 June 2021, two large scale physical auctions were held in Beijing and Hainan respectively. The types of auction items are diversified, covering bronze mirrors, inscriptions on the stone tablets, paintings, and calligraphies, etc. Since the year of 2020, our operation model had been adjusted, we have also hosted online auction. Two online auctions were held in April 2021 covering bronze mirrors. The decreases in both segment revenue and segment profit before tax were mainly attributable to the decrease in commission income received in the six months ended 30 June 2021, while there was approximately HK\$13.5 million of commission income received for previous auctions held in the prior periods and recorded during the corresponding period in 2020.

ACBD Business

The Company has established an ACBD center in Xi’an. The main business functions of the center is to provide a venue with integrated functions such as storage, exhibition, auction, promotion and trading of arts and collections. The center aims to create a strong network with other art and culture partners for hosting events and building relationship. Also, the center is expected to create a synergy effect with the operations of Silk Road International Culture Center.

Winery and Trading Division

The Group had realigned the Winery division and e-Commerce division to Winery and Trading division to align with the Group’s long-term business strategy. This division, comprising the winery business and trading business, contributed a segment revenue of approximately HK\$2.9 million (30 June 2020: HK\$102.4 million) and with a segment loss before tax of approximately HK\$8.8 million (30 June 2020: HK\$0.8 million) for the six months ended 30 June 2021.

Since an acquisition in 2017 of Chateau Puy Bardens located at Bordeaux in France, a world-famous area for the production of quality wine, the Group have continuously enhanced the quality of wine. It was encouraging that we received an outstanding 92 points from James Suckling's 2019 tasting report, gold medal and silver medal from Bruelles Global Competition 2021. Although sales plans of wines have been delayed amid the continuance of the COVID-19 pandemic, we proactively set up various distribution channels and organise wine promotion campaigns in Hong Kong, Mainland China and Europe to create earnings and brand awareness for the Chateau Puy Bardens. Due to the outbreak of COVID-19 pandemic, the management has decided to slow down the e-Commerce business, and now is strategically positioning the business operations of the trading division.

Property Development Division

This division contributed a segment revenue of approximately HK\$47.9 million (30 June 2020: HK\$0.3 million) and a segment profit before tax of approximately HK\$23.1 million (30 June 2020: segment loss before tax of HK\$2.1 million) for the six months ended 30 June 2021.

The properties are located in Tang West Market, Lianhu District in Xi'an City, the People's Republic of China (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 260,000 sq.m. The pre-sale permits for the two blocks of office buildings were obtained in December 2019. The Group are currently in advanced stages of negotiation with potential purchasers (the "Potential Purchasers") in relation to the possible disposal of two blocks of office buildings and certain sections of the commercial area (the "Possible Disposals") respectively. The Possible Disposals are transactions of revenue in nature and in the ordinary and usual course of business of the Group. Each of the Potential Purchasers is independent of and not connected with the Company and connected persons of the Company. 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 2021, 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 in Hainan Island and Xi'an 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, drawdown of bank borrowings and internal resources.

As at 30 June 2021, the Group's total bank balances and cash amounted to approximately HK\$39.4 million, representing a decrease of approximately HK\$154.0 million as compared with the bank balances and cash of approximately HK\$193.4 million as at 31 December 2020. The decrease was mainly attributable to the additional financial resources deployed in the properties planned to develop into the Silk Road International Culture Center as previously mentioned during the period under review.

As at 30 June 2021, the Group had outstanding secured borrowings of approximately HK\$1,139.3 million (31 December 2020: HK\$711.8 million) and are repayable from one to three years (31 December 2020: within one year).

GEARING

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to equity holders of the Company. Net debt includes total borrowings less cash and cash equivalents. The gearing ratio of the Group was approximately 93.8% as at 30 June 2021 (31 December 2020: 44.8%).

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 2021. Income and expense items are translated at the average exchange rates for the period ended 30 June 2021. Exchange gain arising from the translation of foreign operations of approximately HK\$6.4 million (31 December 2020: HK\$41.7 million) for the six months ended 30 June 2021 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 2021, other than outsourcing vendors but including contract workers, the Group has approximately 133 employees (31 December 2020: 125) in Hong Kong, the PRC and France. 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 2021, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$2.1 million (31 December 2020: HK\$3.1 million); 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\$538.2 million (31 December 2020: HK\$538.0 million).

HEDGING, ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

On 18 February 2021, DTXS Fine Wine Holdings Limited (“DTXS Fine Wine”), an indirect wholly-owned subsidiary of the Company, completed a further acquisition of 30% equity interest of its non-wholly owned subsidiary, Wealthy Forest Limited (“Wealthy Forest”), at a consideration of approximately HK\$4.8 million. DTXS Fine Wine became the sole beneficial owner of the Wealthy Forest, which indirectly owned a vineyard located at Bordeaux in France. After the acquisition, the Group holds the entire equity interest of the vineyard business.

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 2021, the Group has capital commitments amounted to approximately HK\$1,775.5 million (31 December 2020: HK\$1,343.6 million).

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, 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 2021 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 2021, 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").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors and senior management of the Company. Having made specific enquiries to all the directors, who confirmed their compliance with the required standards as set out in the Model Code during the six months ended 30 June 2021.

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.

2021 INTERIM REPORT

The 2021 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
Lu Jianzhong
Chairman

Hong Kong, 31 August 2021

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Dr. Ma Chao (Executive Vice-Chairman), Dr. Xu Zhihong (Co-Chief Executive Officer) and Mr. Wong Kwok Tung Gordon Allan (Deputy Chief Executive Officer) and three Independent Non-executive Directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Tse Yung Hoi and Mr. Kwok Chi Shing.