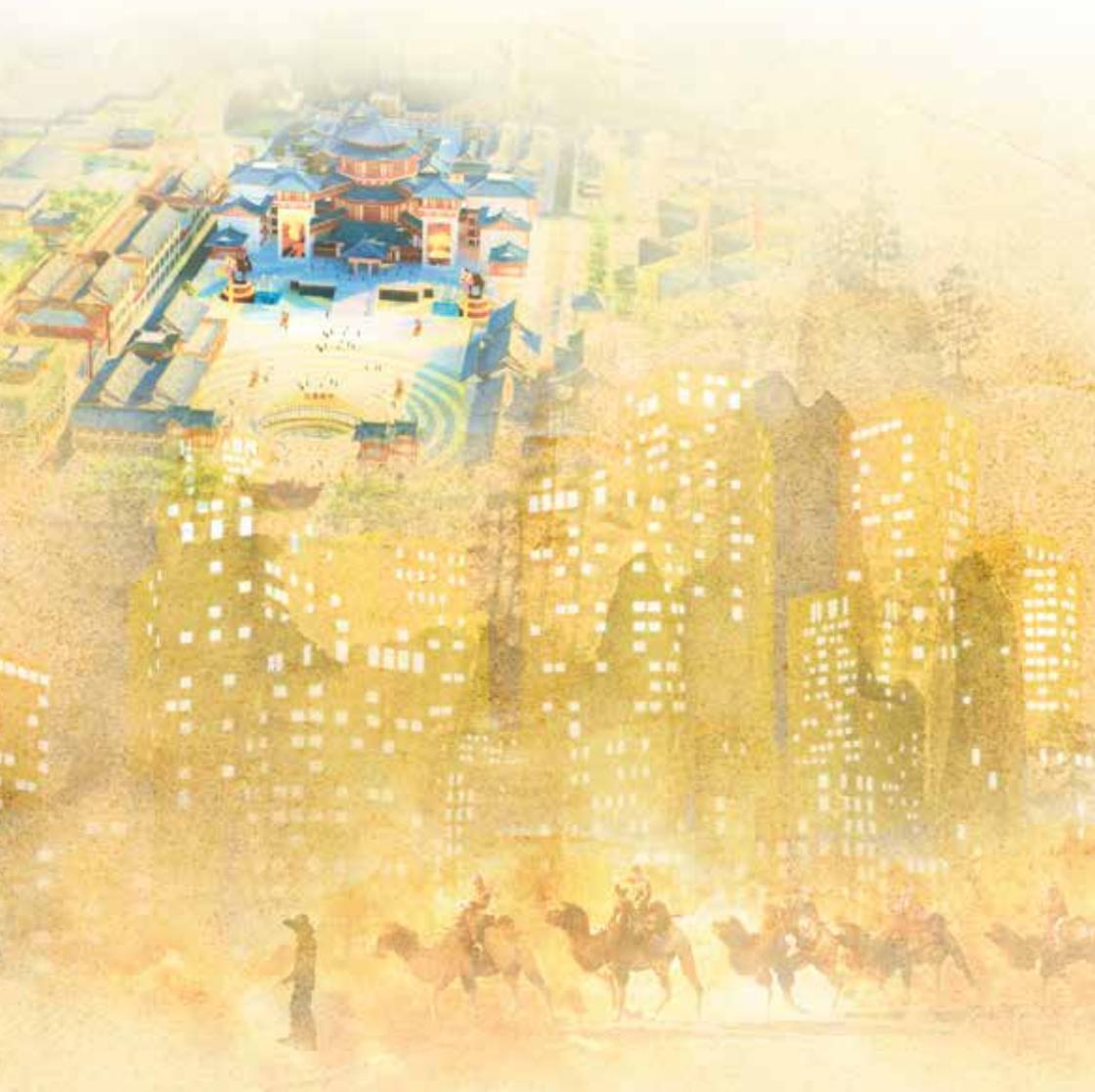




**DTXS SILK ROAD INVESTMENT HOLDINGS  
COMPANY LIMITED**

**大唐西市絲路投資控股有限公司**

(Incorporated in Bermuda with limited liability)  
(Stock Code: 620)



INTERIM REPORT 2020

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lu Jianzhong (*Chairman*)  
Mr. Xu Lin (*Executive Vice-chairman*)  
Mr. Yang Xingwen  
Mr. Xu Zhihong (*Chief Executive Officer*)  
(appointed on 1 September 2020)  
Mr. Wong Kwok Tung Gordon Allan  
(*Deputy Chief Executive Officer*)  
Mr. Lai Kim Fung (resigned on 1 September 2020)

### Non-executive Directors

Dr. Cheng Kar-Shun, Henry  
Mr. Jean-Guy Carrier (resigned on 23 May 2020)

### Independent Non-executive Directors

Mr. Tsang Yok Sing, Jasper  
(appointed on 1 September 2020)  
Mr. Tse Yung Hoi  
Mr. Kwok Chi Shing (appointed on 29 May 2020)  
Mr. Cheng Yuk Wo (retired on 29 May 2020)  
Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)  
Mr. Wang Shi (resigned on 1 September 2020)

## AUDIT COMMITTEE

Mr. Kwok Chi Shing (*Chairman*)  
(appointed on 29 May 2020)  
Mr. Tsang Yok Sing, Jasper  
(appointed on 1 September 2020)  
Mr. Tse Yung Hoi  
Mr. Cheng Yuk Wo  
(ceased on 29 May 2020)  
Mr. Tsui Yiu Wa, Alec (ceased on 29 May 2020)  
Mr. Wang Shi (appointed on 29 May 2020 and  
ceased on 1 September 2020)

## NOMINATION COMMITTEE

Mr. Lu Jianzhong (*Chairman*)  
Mr. Tse Yung Hoi (appointed on 29 May 2020)  
Mr. Kwok Chi Shing (appointed on 29 May 2020)  
Mr. Cheng Yuk Wo (ceased on 29 May 2020)  
Mr. Tsui Yiu Wa, Alec (ceased on 29 May 2020)

## REMUNERATION COMMITTEE

Mr. Tse Yung Hoi (*Chairman*)  
(appointed on 29 May 2020)  
Mr. Xu Lin (appointed on 29 May 2020)  
Mr. Kwok Chi Shing (appointed on 29 May 2020)  
Mr. Tsui Yiu Wa, Alec  
(ceased on 29 May 2020)  
Mr. Cheng Yuk Wo (ceased on 29 May 2020)  
Mr. Lai Kim Fung (ceased on 29 May 2020)

## INVESTMENT COMMITTEE

Mr. Xu Lin (*Chairman*)  
Mr. Yang Xingwen  
Mr. Xu Zhihong  
Mr. Wong Kwok Tung Gordon Allan

## COMPANY SECRETARY

Mr. Tang Man Joe

## REGISTERED OFFICE

Crawford House  
4th Floor  
50 Cedar Avenue  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 811-817, 8/F  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Ocorian Management (Bermuda) Limited  
Victoria Place, 5th Floor, 31 Victoria Street  
Hamilton HM 10  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

Ernst & Young  
Certified Public Accountants

## LEGAL ADVISERS

Jeffrey Mak Law Firm  
Silkroad Law Firm  
Appleby Spurling & Kempe

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
Hong Kong Branch  
China Construction Bank Hong Kong Branch  
China Everbright Bank Hong Kong Branch  
CMB Wing Lung Bank Limited

## WEBSITE

[www.dtxs.com](http://www.dtxs.com)

## STOCK CODE

620

# Management Discussion and Analysis

## **FINANCIAL AND BUSINESS REVIEW, AND PROSPECT**

DTXS Silk Road Investment Holdings Company Limited (the “Company”) and its subsidiaries (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 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. In addition, our art financing business provides flexibility to the consignors, which generates additional income for the Group.

### **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 a venue with integrated functions such as 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

# Management Discussion and Analysis

huge boost to our wine quality. Three premium series, namely the Chateau, the Chinese Zodiac 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

# Management Discussion and Analysis

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 Center 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).

# Management Discussion and Analysis

## **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). Details of financial guarantees are set out in note 19 to the condensed interim financial information.

# Management Discussion and Analysis

## **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. Details of the disposal are set out in note 17 to the condensed interim financial information.

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 interim report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

\* For identification purpose only

# Management Discussion and Analysis

## 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 HK\$ million	For the year ended 31 December 2019		For the six months ended 30 June 2020	
		Utilised HK\$ million	Remaining balance HK\$ million	Utilised HK\$ million	Remaining balance HK\$ million
Acquisitions for arts and cultural related business <sup>(Note)</sup>	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	597.0	332.7	264.3	264.3	—

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.

# Management Discussion and Analysis

## **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 of directors (the “Board”) does not recommend payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests and short positions of the directors and chief executive(s) of the Company or any of their associates in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of director/ chief executive	Number of ordinary shares of HK\$0.50 each and nature of interests		Number of underlying shares held	Number of share options <sup>(4)</sup>		Approximate percentage of shareholding <sup>(5)</sup>
	Personal interests	Corporate interests		Personal interests	Total interests	
<b>Directors</b>						
Mr. Lu Jianzhong	4,996,000	373,596,736 <sup>(1, 2)</sup>	111,187,538 <sup>(3)</sup>	3,500,000	493,280,274	73.90%
Mr. Xu Lin	—	—	—	3,000,000	3,000,000	0.45%
Mr. Yang Xingwen	—	—	—	2,500,000	2,500,000	0.37%
Mr. Lai Kim Fung	—	—	—	3,000,000	3,000,000	0.45%
Mr. Wong Kwok Tung Gordon	—	—	—	2,500,000	2,500,000	0.37%
Mr. Tse Yung Hoi	—	—	—	250,000	250,000	0.04%
Mr. Wang Shi	—	—	—	250,000	250,000	0.04%
<b>Chief executive</b>						
Mr. Xu Zhihong	—	—	—	2,600,000	2,600,000	0.39%

## Other Information

### Notes:

1. 373,596,736 shares were held by Da Tang Xi Shi International Holdings Limited ("DTXS International Holdings"). DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by Da Tang Xi Shi Investments Group Limited\* (大唐西市文化產業投資集團有限公司) ("DTXS Investments"). Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investments, was interested in approximately 50.60% of the issued registered capital of DTXS Investments. As such, Mr. Lu Jianzhong was deemed to be interested in 373,596,736 shares.
2. 20,000,000 shares held by DTXS International Holdings were pledged in favour of the third party lenders as security.
3. 111,187,538 underlying shares represent the number of option shares that may be sold by Ion Tech Limited ("Ion Tech") as grantee to DTXS International Holdings as grantor pursuant to the exercise of the put option or the triggered put option (as the case may be) pursuant to the put option deed dated 16 July 2019 (the "Put Option Deed").
4. Particulars of share options of the Company are set out in the following section headed "Share Option Scheme".
5. The total number of issued shares of the Company was 667,483,230 as at 30 June 2020.

### (b) Interests in shares of DTXS Investments, an associated corporation of the Company

Name of director	Number of shares	Approximate percentage of issued registered capital of DTXS Investments
Mr. Lu Jianzhong	110,000,000	50.60%
Mr. Yang Xingwen	30,000,000	13.80%

Save as disclosed above, as at 30 June 2020, none of the directors and chief executive(s) of the Company and any of their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

\* For identification purpose only

## Other Information

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

As at 30 June 2020, the persons or corporations (not being a director or chief executive(s) of the Company) who had an interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interests/ capacity	Number of ordinary shares of HK\$0.50 each <sup>(1)</sup>	Approximate percentage of shareholding <sup>(14)</sup>
DTXS International Holdings <sup>(2)</sup>	Beneficial owner	484,784,274 (L) <sup>(12&amp;13)</sup>	72.63%
Da Tang Xi Shi International Group Limited <sup>(2)</sup>	Interests in controlled corporation	484,784,274 (L) <sup>(12&amp;13)</sup>	72.63%
DTXS Investments <sup>(2)</sup>	Interests in controlled corporation	484,784,274 (L) <sup>(12&amp;13)</sup>	72.63%
Ms. Zhu Ronghua <sup>(2)</sup>	Interests of spouse	493,280,274 (L)	73.90%
Ion Tech	Beneficial owner	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
Citiplus Investment Limited <sup>(4)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
New World Development Company Limited <sup>(5)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
Chow Tai Fook Enterprises Limited <sup>(6)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
Chow Tai Fook (Holding) Limited <sup>(7)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
Chow Tai Fook Capital Limited <sup>(8)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
Cheng Yu Tung Family (Holdings II) Limited <sup>(9)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%
Cheng Yu Tung Family (Holdings) Limited <sup>(10)</sup>	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) <sup>(11)</sup>	16.66%

## Other Information

### Notes:

1. The letters "L" and "S" denote a long positions and a short positions in the shares respectively.
2. DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by DTXS Investments, which was owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen.
3. Ms. Zhu Ronghua was deemed to be interested in 493,280,274 shares through the interests held by her spouse, Mr. Lu Jianzhong.
4. Citiplus Investment Limited ("Citiplus") held 100% direct interest in Ion Tech and was accordingly deemed to have an interest in the shares held by Ion Tech.
5. New World Development Company Limited ("NWD") held 100% direct interest in Citiplus and was accordingly deemed to have an interest in the shares deemed to be interested by Citiplus.
6. Chow Tai Fook Enterprises Limited ("CTFE"), together with its subsidiaries, held more than one third of the issued shares of NWD and was accordingly deemed to have an interest in the shares deemed to be interested by NWD.
7. Chow Tai Fook (Holding) Limited ("CTFH") held 100% direct interest in CTFE and was accordingly deemed to have an interest in the shares deemed to be interested by CTFE.
8. Chow Tai Fook Capital Limited ("CTFC") held approximately 81.03% direct interest in CTFH and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.
9. Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
10. Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
11. Ion Tech entered into the subscription agreement dated 16 July 2019 to conditionally subscribe for 111,187,538 shares, and in connection therewith, DTXS International Holdings conditionally granted a put option to Ion Tech to require DTXS International Holdings to purchase all or part of the option shares pursuant to the Put Option Deed.
12. Comprises 373,596,736 shares held by DTXS International Holdings and 111,187,538 underlying shares representing the number of option shares that may be sold by Ion Tech to DTXS International Holdings pursuant to the exercise of the put option or the triggered put option (as the case may be) pursuant to the Put Option Deed.
13. 20,000,000 shares held by DTXS International Holdings were pledged in favour of the third party lenders as security.
14. The total number of issued shares of the Company was 667,483,230 as at 30 June 2020.

## Other Information

Save as disclosed above, as at 30 June 2020, the directors of the Company were not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### SHARE OPTION SCHEME

The following table sets out the movements of the number of share options granted under the share option scheme adopted by the shareholders of the Company on 6 December 2012 ("2012 Scheme") during the six months ended 30 June 2020 and the outstanding share options at the beginning and end of the period:

Eligible participants	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of share options				At 30 June 2020
				At 1 January 2020	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
<b>(a) Directors and chief executive</b>								
Mr. Lu Jianzhong	28/01/2016	3.000	28/01/2017 to 27/01/2026	3,500,000	—	—	—	3,500,000
Mr. Xu Lin	07/04/2020	5.290	01/04/2021 to 06/04/2030	—	3,000,000	—	—	3,000,000
Mr. Yang Xingwen	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	—	—	—	2,500,000
Mr. Lai Kim Fung	04/09/2017	4.814	04/09/2018 to 03/09/2027	3,000,000	—	—	—	3,000,000
Mr. Wong Kwok Tung Gordon Allan	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	—	—	—	2,500,000
Mr. Jean-Guy Carrier	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Cheng Yuk Wo	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Tsui Yiu Wa, Alec	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Tse Yung Hoi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	—	250,000
Mr. Wang Shi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	—	250,000
Mr. Xu Zhihong	16/06/2020	4.870	16/06/2021 to 15/06/2030	—	2,600,000	—	—	2,600,000
<b>Sub-total</b>				12,750,000	5,600,000	—	750,000	17,600,000

## Other Information

Eligible participants	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of share options				At 30 June 2020
				At 1 January 2020	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	
(b) Other eligible participants in aggregate	28/01/2016	3.000	28/01/2017 to 27/01/2026	1,774,000	—	24,000	—	1,750,000
	21/12/2016	3.710	21/12/2017 to 20/12/2026	192,000	—	—	150,000	42,000
	04/01/2019	3.902	04/12/2019 to 03/01/2029	750,000	—	—	—	750,000
	07/04/2020	5.290	04/09/2020 to 06/04/2030	—	750,000	—	—	750,000
<b>Sub-total</b>				2,716,000	750,000	24,000	150,000	3,292,000
<b>Total</b>				15,466,000	6,350,000	24,000	900,000	20,892,000

### Notes:

- Share options granted under the 2012 Scheme on 28 January 2016, 21 December 2016 and 4 September 2017, respectively 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 and the consideration paid by each grantee for each grant of options was HK\$1.00:

Vesting date	Percentage of share options to vest
First anniversary of the date of grant	40% of the total number of share options granted
Second anniversary of the date of grant	30% of the total number of share options granted
Third anniversary of the date of grant	30% of the total number of share options granted

- Share options granted under the 2012 Scheme on 4 January 2019 shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK\$1.00:

Vesting date	Percentage of share options to vest
After 3 December 2019	40% of the total number of share options granted
After 3 December 2020	30% of the total number of share options granted
After 3 December 2021	30% of the total number of share options granted

## Other Information

3. Share options granted under the 2012 Scheme on 7 April 2020 to the director of the Company shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK\$1.00:

Vesting date	Percentage of share options to vest
After 31 March 2021	25% of the total number of share options granted
After 31 March 2022	25% of the total number of share options granted
After 31 March 2023	25% of the total number of share options granted
After 31 March 2024	25% of the total number of share options granted

4. Share options granted under the 2012 Scheme on 7 April 2020 to the eligible participant other than director of the Company shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK\$1.00:

Vesting date	Percentage of share options to vest
After 3 September 2020	40% of the total number of share options granted
After 3 September 2021	30% of the total number of share options granted
After 3 September 2022	30% of the total number of share options granted

5. Share options granted under the 2012 Scheme on 16 June 2020 shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK\$1.00:

Vesting date	Percentage of share options to vest
First anniversary of the date of grant	25% of the total number of share options granted
Second anniversary of the date of grant	25% of the total number of share options granted
Third anniversary of the date of grant	25% of the total number of share options granted
Fourth anniversary of the date of grant	25% of the total number of share options granted

### **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 Listing Rules, save for the following:

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 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.

## **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change(s) in information of the director(s) subsequent to the date of the 2019 annual report of the Company are as follows:

Mr. Tse Yung Hoi:

- resigned as an independent non-executive director of Banco Well Link, S.A. on 31 May 2020;
- resigned as an independent non-executive director, chairman of remuneration committee and member of audit committee and nomination committee of Guoan International Limited (stock code: 143) on 1 June 2020;

## Other Information

- resigned as an independent non-executive director, chairman of nomination committee and member of remuneration committee and audit committee of HJ Capital (International) Holdings Company Limited (stock code: 982) on 20 July 2020; and
- appointed as an independent non-executive director, chairman of remuneration committee and nomination committee of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (stock code: 6139) and independent non-executive director of Jinmao (China) Investments Manager Limited on 9 June 2020.

By order of the Board

**Lu Jianzhong**  
*Chairman*

Hong Kong, 31 August 2020

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Unaudited	
		Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
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)
<b>PROFIT/(LOSS) BEFORE TAX FROM</b>			
<b>CONTINUING OPERATIONS</b>			
	7	9,915	(8,439)
Income tax credit/(expense)	8	1,620	(391)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM</b>			
<b>CONTINUING OPERATIONS</b>			
		11,535	(8,830)
<b>DISCONTINUED OPERATION</b>			
Profit for the period from discontinued operation	17	15,319	11,811
<b>PROFIT FOR THE PERIOD</b>			
		26,854	2,981

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Note	Unaudited	
		Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated)
<b>OTHER COMPREHENSIVE EXPENSE</b>			
<i>Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(10,646)	(1,568)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>16,208</b>	<b>1,413</b>
Profit for the period attributable to:			
Owners of the parent		27,664	3,124
Non-controlling interests		(810)	(143)
		<b>26,854</b>	<b>2,981</b>
Total comprehensive income for the period attributable to:			
Owners of the parent		17,878	3,061
Non-controlling interests		(1,670)	(1,648)
		<b>16,208</b>	<b>1,413</b>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
10			
Basic			
For profit for the period		<b>HK4.14 cents</b>	HK0.56 cents
For profit/(loss) from continuing operations		<b>HK1.85 cents</b>	HK(1.56) cents
Diluted			
For profit for the period		<b>HK4.11 cents</b>	HK0.56 cents
For profit/(loss) from continuing operations		<b>HK1.83 cents</b>	HK(1.56) cents

# Condensed Consolidated Statement of Financial Position

30 June 2020

	<i>Notes</i>	<b>30 June 2020 HK\$'000 (Unaudited)</b>	<b>31 December 2019 HK\$'000 (Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	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	12	—	63,501
<b>Total non-current assets</b>		<b>393,896</b>	<b>446,397</b>
<b>CURRENT ASSETS</b>			
Properties under development		875,947	—
Completed properties held for sale		172,102	—
Inventories		46,655	49,019
Trade and other receivables	12	584,497	515,984
Loans receivable		184,235	—
Restricted bank deposits		3,354	—
Cash and cash equivalents		56,366	350,066
<b>Total current assets</b>		<b>1,923,156</b>	<b>915,069</b>
Assets of a disposal group classified as held for sale		—	32,540
<b>Total current assets</b>		<b>1,923,156</b>	<b>947,609</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	334,033	51,329
Contract liabilities		3,949	—
Interest-bearing bank and other borrowings		698,425	—
Tax liabilities		74,135	9,223
<b>Total current liabilities</b>		<b>1,110,542</b>	<b>60,552</b>
Liabilities directly associated with the assets classified as held for sale		—	31,103
<b>Total current liabilities</b>		<b>1,110,542</b>	<b>91,655</b>

# Condensed Consolidated Statement of Financial Position

30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>NET CURRENT ASSETS</b>		<b>812,614</b>	855,954
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,206,510</b>	1,302,351
<b>NON-CURRENT LIABILITIES</b>			
Other payables	13	3,934	8,602
Deferred tax liabilities		18,875	20,932
Total non-current liabilities		<b>22,809</b>	29,534
Net assets		<b>1,183,701</b>	1,272,817
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	14	333,742	333,730
Reserves		771,767	931,277
Non-controlling interests		<b>1,105,509</b>	1,265,007
		<b>78,192</b>	7,810
Total equity		<b>1,183,701</b>	1,272,817

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital	Share premium	Share option reserve	Merge reserve	Capital redemption reserve	Exchange fluctuation reserve	Revaluation reserve	Accumulated losses	Non-controlling interests	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	277,969	1,026,910	31,774	—	1,264	(5,182)	3,293	(679,703)	656,325	9,537	665,862
Profit for the period	—	—	—	—	—	—	—	3,124	3,124	(143)	2,981
Other comprehensive expense for the period:											
Exchange differences related to foreign operations	—	—	—	—	—	(63)	—	—	(63)	(1,505)	(1,568)
Total comprehensive income for the period	—	—	—	—	—	(63)	—	3,124	3,061	(1,648)	1,413
Effect of share options	—	—	319	—	—	—	—	—	319	—	319
At 30 June 2019 (unaudited)	277,969	1,026,910	32,093	—	1,264	(5,245)	3,293	(676,579)	659,705	7,889	667,594
At 1 January 2020 (audited)	333,730	1,569,589	24,959	—	1,264	(11,496)	8,668	(661,707)	1,265,007	7,810	1,272,817
Profit for the period	—	—	—	—	—	—	—	27,664	27,664	(810)	26,854
Other comprehensive expense for the period:											
Exchange differences related to foreign operations	—	—	—	—	—	(9,786)	—	—	(9,786)	(860)	(10,646)
Total comprehensive income for the period	—	—	—	—	—	(9,786)	—	27,664	17,878	(1,670)	16,208
Acquisition of subsidiaries under common control	—	—	—	(179,433)	—	—	—	—	(179,433)	72,052	(107,381)
Disposal of subsidiaries	—	—	—	—	—	—	(5,850)	5,850	—	—	—
Equity-settled share option arrangements	—	—	1,985	—	—	—	—	—	1,985	—	1,985
Transfer of share option reserve upon the forfeiture of share options	—	—	(1,391)	—	—	—	—	1,391	—	—	—
Exercise of share options	12	94	(34)	—	—	—	—	—	72	—	72
At 30 June 2020 (unaudited)	333,742	1,569,683*	25,519*	(179,433)*	1,264*	(21,282)*	2,818*	(626,802)*	1,105,509	78,192	1,183,701

\* These reserve accounts comprise the consolidated reserves of HK\$771,767,000 (31 December 2019: HK\$931,277,000) in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(72,217)	(31,193)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(707)	(205)
Decrease/(increase) in loans receivable	(111,492)	4,774
Proceeds from disposal of subsidiaries	15,810	—
Acquisition of subsidiaries under common control	(147,127)	—
Net cash flows from/(used in) investing activities	(243,516)	4,569
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	72	—
New other borrowings	42,929	7,110
Repayment of other borrowings	—	(5,800)
Principal portion of lease payments	(3,830)	(638)
Net cash flows from financing activities	39,171	672
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(276,562)	(25,952)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position at beginning of period	350,066	54,437
Cash and cash equivalents attributable to a discontinued operation at beginning of period	946	—
Cash and cash equivalents at beginning of period	351,012	54,437
Effect of foreign exchange rate changes, net	(18,084)	(63)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>56,366</b>	<b>28,422</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>56,366</b>	27,553
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>56,366</b>	27,553
Cash and cash equivalents attributable to a discontinued operation	—	869
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>56,366</b>	28,422

# Notes to Condensed Interim Financial Information

30 June 2020

## 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”).

During the period, 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 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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

As disclosed in note 16 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 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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 3. OPERATING SEGMENT INFORMATION *(Continued)*

### (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 HK\$'000 (Unaudited)	Winery Division HK\$'000 (Unaudited)	e-Commerce Division HK\$'000 (Unaudited)	Property Development Division HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (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	44,748	290	102,067	287	(10)	147,382
Segment results*	28,263	(1,123)	279	(2,124)	—	25,295
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						9,915

# Notes to Condensed Interim Financial Information

30 June 2020

## 3. OPERATING SEGMENT INFORMATION (Continued)

### (a) Segment results (Continued)

#### Continuing operations (Continued)

For the six months ended 30 June 2019 (restated)

	Arts and Cultural Division HK\$'000 (Unaudited)	Winery Division HK\$'000 (Unaudited)	e-Commerce Division HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (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	21,103	1,747	65,896	(316)	88,430
Segment results*	5,215	(499)	389	—	5,105
Reconciliation:					
Unallocated other gains and losses					1
Unallocated corporate and other expenses					(13,545)
Loss before tax for the period from continuing operations					(8,439)

\* Segment results are before tax.

# Notes to Condensed Interim Financial Information

30 June 2020

## 3. OPERATING SEGMENT INFORMATION *(Continued)*

### (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		Specified	
	external customers		non-current assets	
	Six months ended		as at	
	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited) (Restated)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
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
	<b>147,382</b>	88,430	<b>378,880</b>	382,896

# Notes to Condensed Interim Financial Information

30 June 2020

## 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	<b>102,347</b>	67,327
Auction and related services	<b>13,475</b>	4,083
	<b>115,822</b>	71,410
<i>Revenue from other sources</i>		
Interest income from advances to consignors	<b>30,028</b>	17,020
Gross rental income from investment property operating leases — with fixed lease payments	<b>1,532</b>	—
	<b>31,560</b>	17,020
Total revenue	<b>147,382</b>	88,430

# Notes to Condensed Interim Financial Information

30 June 2020

## 4. REVENUE (Continued)

Disaggregation of revenue information:

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019 (restated)

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

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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 5. OTHER INCOME

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

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

## 6. FINANCE COSTS

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

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

# Notes to Condensed Interim Financial Information

30 June 2020

## 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	<b>15,907</b>	10,483
Contributions to defined contribution retirement plans	<b>665</b>	300
Share-based payment expenses	<b>1,985</b>	319
	<b>18,557</b>	11,102
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	<b>2,507</b>	4,644
Less: Amount included in inventory overheads	<b>(530)</b>	(309)
	<b>1,977</b>	4,335
Depreciation of right-of-use assets	<b>5,432</b>	576
Amortisation of intangible assets	<b>3,714</b>	3,976
	<b>11,123</b>	8,887
(c) Other items (included in other operating expenses)		
Legal and professional fees	<b>1,850</b>	732
Secretarial and registration fees	<b>269</b>	231
Lease payments not included in the measurement of lease liabilities	<b>98</b>	4,123

# Notes to Condensed Interim Financial Information

30 June 2020

## 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	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Current — Hong Kong		
Charge for the period	2,222	547
Overprovision in prior periods	(2,558)	—
Current — PRC	944	784
Deferred tax	(2,228)	(940)
Total tax charge/(credit) for the period	(1,620)	391

## 9. 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).

# Notes to Condensed Interim Financial Information

30 June 2020

## **10. 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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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)
<b>Earnings/(loss)</b>		
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
Profit for the period attributable to ordinary equity holders of the parent	27,664	3,124

# Notes to Condensed Interim Financial Information

30 June 2020

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

	Number of shares as at 30 June	
	2020	2019
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>667,475,582</b>	555,938,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	<b>5,338,431</b>	2,585,000
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<b>672,814,013</b>	558,523,000

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment (excluding right-of-use assets) amounting to HK\$707,000 (six months ended 30 June 2019: HK\$205,000).

# Notes to Condensed Interim Financial Information

30 June 2020

## 12. TRADE AND OTHER RECEIVABLES

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

# Notes to Condensed Interim Financial Information

30 June 2020

## 12. TRADE AND OTHER RECEIVABLES (Continued)

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 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (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
	<b>72,969</b>	<b>58,041</b>

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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 13. TRADE AND OTHER PAYABLES

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

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 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (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
	<b>207,828</b>	2,324

# Notes to Condensed Interim Financial Information

30 June 2020

## 14. SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.50 each	<b>2,500,000</b>	2,500,000
Issued and fully paid:		
667,483,230 (31 December 2019: 667,459,230) ordinary shares of HK\$0.50 each	<b>333,742</b>	333,730

*Note:*

During the six months ended 30 June 2020, share options to subscribe for 24,000 shares of HK\$0.50 each were exercised at HK\$3.00 per share. These shares rank pari passu with other shares in issue in all respect.

## 15. COMMITMENTS

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted but not provided for:		
Acquisition of subsidiaries	—	148,707
Capital expenditure for properties under development	<b>418,253</b>	—
	<b>418,253</b>	148,707

# Notes to Condensed Interim Financial Information

30 June 2020

## 16. BUSINESS COMBINATION UNDER COMMON CONTROL

On 12 March 2020, the Group acquired 100% equity interest in HK DTXS Enterprise Holdings (BVI) Limited (“HK DTXS Enterprise”) 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 (the “Vendor”), 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.

# Notes to Condensed Interim Financial Information

30 June 2020

## 16. BUSINESS COMBINATION UNDER COMMON CONTROL *(Continued)*

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
	<hr/> <hr/>
Satisfied by:	
Cash	148,455
Deposit paid	63,501
	<hr/>
	211,956
	<hr/> <hr/>
Net cash outflow arising on the acquisition:	
Cash consideration	(211,956)
Deposit paid in prior year	63,501
Cash and cash equivalents acquired	1,328
	<hr/>
	(147,127)
	<hr/> <hr/>

# Notes to Condensed Interim Financial Information

30 June 2020

## 17. 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 “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 businesses of UDL Group were sales of vessels, marine engineering services, tendering technical support services and contractual support services. The results of 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	2019
	HK\$'000	HK\$'000
	(Unaudited)	(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)
Profit for the period from UDL Group	—	11,811
Gain on disposal of UDL Group	<b>15,319</b>	—
	<b>15,319</b>	11,811

# Notes to Condensed Interim Financial Information

30 June 2020

## 17. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

*(Continued)*

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/>
Satisfied by:	
Cash	16,756
	<hr/>
Net cash inflow arising on disposal:	
Net cash consideration received	16,756
Cash and cash equivalents disposed of	(946)
	<hr/>
	15,810
	<hr/>

# Notes to Condensed Interim Financial Information

30 June 2020

## 18. CONTINGENT LIABILITIES

Prior to the completion of the acquisition of DTXS Enterprise Group, DTXS Enterprise Group did not comply with certain applicable laws and regulations in the PRC and the terms of the sales contracts with property buyers, in particular, DTXS Enterprise Group delivered property units of certain projects to property buyers before obtaining the relevant completion certificates from the relevant government authorities and as a result, property buyers are unable to obtain the ownership certificates for the property units they purchased (the "Non-compliance"). As at 30 June 2020, DTXS Enterprise Group was in the process of applying for the relevant certificates.

As a result of the Non-compliance, DTXS Enterprise Group is liable to certain surcharges and compensation payable to the property buyers. In the opinion of the directors of the Company, after taking into account the advices from the Group's PRC legal adviser and historical claims made by property buyers, it is not probable that surcharges and compensation would be claimed by property purchasers in connection with the Non-compliance and therefore, no provision is recognised in the unaudited condensed interim financial information.

At the end of the reporting period, contingent liabilities in respect of potential claims from property buyers in connection with the Non-compliance are summarised as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Potential claims from property buyers in connection with the Non-compliance	24,072	—

# Notes to Condensed Interim Financial Information

30 June 2020

## 19. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Guarantees in respect of mortgage facilities provided for certain purchasers of DTXS Enterprise Group's properties ( <i>note (a)</i> )	168,195	—
Guarantee in respect of loan facility provided for a related party ( <i>note (b)</i> )	329,010	—
	<b>497,205</b>	—

*Notes:*

- (a) DTXS Enterprise Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of DTXS Enterprise Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, DTXS Enterprise Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction or other appropriate means.

DTXS Enterprise Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties. DTXS Enterprise Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers.

# Notes to Condensed Interim Financial Information

30 June 2020

## 19. FINANCIAL GUARANTEES (Continued)

Notes: (Continued)

- (b) DTXS Enterprise Group provided a financial guarantee for a bank loan with a principal of RMB300,000,000 (equivalent to HK\$329,010,000) obtained by Xi'an Da Tang Xi Shi Property Limited, a company controlled by Mr. Lu Jianzhong, the controlling shareholder of the Group. At the same time, DTXS Investments provided a counter financial guarantee in favour of DTXS Enterprise Group for its obligations under the said financial guarantee. Further details of the financial guarantee arrangement are set out in the Company's circular dated 21 February 2020.

## 20. RELATED PARTY DISCLOSURES

The Group entered into the following transactions with related parties:

- (a) During the period, rental income of HK\$1,245,000 (for the period ended 30 June 2019: Nil) was generated from the investment property leased to a related company controlled by DTXS Investments at the rate of HK\$245 per square metre.
- (b) On 29 November 2019, the Group entered into a sale and purchase agreement with the Vendor for the acquisition of the entire issued share capital of HK DTXS Enterprise (the "HK DTXS Acquisition") at a consideration of RMB190 million (equivalent to approximately HK\$212 million). On 11 March 2020, the HK DTXS Acquisition was approved by the shareholders of the Company in the special general meeting.

Further details of the HK DTXS Acquisition are set out in note 16 to the condensed interim financial information.

- (c) Outstanding balance with related parties

The Group had an outstanding balance due from companies controlled by DTXS Investments of HK\$2,479,000 (31 December 2019: HK\$940,000) as at the end of the reporting period. The balance is unsecured, interest-free and repayable on demand.

# Notes to Condensed Interim Financial Information

30 June 2020

## 20. RELATED PARTY DISCLOSURES *(Continued)*

- (d) Compensation of key management personnel remuneration

The directors of the Company are considered as key management personnel of the Group. The remuneration of members of key management personnel during the periods were as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	4,142	3,015
Share-based payment expenses	1,312	1,004
Contributions to defined contribution retirement plans	38	18
	<b>5,492</b>	<b>4,037</b>

## 21. COMPARATIVE AMOUNTS

Certain comparative amounts have been re-presented to conform with the current period's presentation.

## 22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 31 August 2020.