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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 2022

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 2022, 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 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE			
Revenue from contracts with customers	4	546,476	56,330
Interest income from advances to consignors	4	16,246	20,864
Gross rental income	4	1,499	1,353
		564,221	78,547
Other income	5	5,807	7,976
Cost of inventories sold		(238,281)	(21,194)
Auction and related services costs		—	(3,518)
Staff costs	7(a)	(20,890)	(20,358)
Depreciation and amortisation expenses	7(b)	(6,284)	(9,395)
Other operating expenses		(7,468)	(8,712)
Other gains and losses, net		(14,197)	3,338
Impairment losses on trade and other receivables		(10,572)	(7,127)
Finance costs	6	(2,226)	(207)

		Six months ended 30 June	
		2022	2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	7	270,110	19,350
Income tax expenses	8	<u>(140,153)</u>	<u>(12,540)</u>
PROFIT FOR THE PERIOD		<u>129,957</u>	<u>6,810</u>
OTHER COMPREHENSIVE (EXPENSES) INCOME			
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>(31,803)</u>	<u>6,393</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>98,154</u>	<u>13,203</u>
Profit for the period attributable to:			
Equity holders of the Company		82,682	3,702
Non-controlling interests		<u>47,275</u>	<u>3,108</u>
		<u>129,957</u>	<u>6,810</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		55,587	9,434
Non-controlling interests		<u>42,567</u>	<u>3,769</u>
		<u>98,154</u>	<u>13,203</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	10		
Basic			
For profit for the period		<u>HK12.39 cents</u>	<u>HK0.55 cents</u>
Diluted			
For profit for the period		<u>HK12.39 cents</u>	<u>HK0.55 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022	31 December 2021
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		100,048	109,750
Investment properties		45,661	47,736
Intangible assets		70,970	73,439
Goodwill		135,069	141,207
Financial assets at fair value through profit or loss		7,376	7,711
Deferred tax assets		33,251	18,349
Properties under development		21,993	22,802
		<u>414,368</u>	<u>420,994</u>
CURRENT ASSETS			
Properties under development		733,471	1,775,340
Completed properties held for sale		1,045,592	168,607
Inventories		41,489	43,554
Financial assets at fair value through profit or loss		36	960
Trade and other receivables	11	1,251,401	1,189,828
Loans receivable		65,893	13,000
Restricted bank deposits		2,554	2,668
Cash and cash equivalents		234,418	28,124
		<u>3,374,854</u>	<u>3,222,081</u>
CURRENT LIABILITIES			
Trade and other payables	12	628,851	645,911
Interest-bearing borrowings		372,022	268,121
Bond payables		1,700	500
Tax liabilities		240,400	92,102
		<u>1,242,973</u>	<u>1,006,634</u>
NET CURRENT ASSETS		<u>2,131,881</u>	<u>2,215,447</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,546,249</u>	<u>2,636,441</u>

		30 June	31 December
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables	<i>12</i>	1,178	2,913
Interest-bearing borrowings		1,201,908	1,390,941
Deferred tax liabilities		17,743	18,360
		<u>1,220,829</u>	<u>1,412,214</u>
NET ASSETS		<u>1,325,420</u>	<u>1,224,227</u>
CAPITAL AND RESERVES			
Share capital		333,763	333,763
Reserves		872,427	813,801
Equity attributable to equity holders of the Company		1,206,190	1,147,564
Non-controlling interests		119,230	76,663
TOTAL EQUITY		<u>1,325,420</u>	<u>1,224,227</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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial information for the six months ended 30 June 2022 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 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 for the six months ended 30 June 2022 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 2021.

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

The accounting policies adopted in the preparation of the unaudited condensed interim financial information for the six months ended 30 June 2022 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable 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 HKFRS 16	<i>Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Annual Improvements to HKFRSs	<i>2018–2020 Cycle</i>

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

- 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

(a) Segment results

During the six months ended 30 June 2022, 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.

For the six months ended 30 June 2022

	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)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue				
Revenue from external customers				
— Revenue from contracts with customers under HKFRS 15	21	3,048	543,407	546,476
— Interest income from advances to consignors	16,246	—	—	16,246
— Gross rental income from investment properties: Operating lease — with fixed lease payments	1,499	—	—	1,499
Revenue from external customers	<u>17,766</u>	<u>3,048</u>	<u>543,407</u>	<u>564,221</u>
Segment results*	<u>(3,125)</u>	<u>(4,057)</u>	<u>298,517</u>	<u>291,335</u>
<i>Reconciliation:</i>				
Unallocated other income				1,083
Unallocated other gains and losses, net				(5,539)
Unallocated corporate and other expenses				<u>(16,769)</u>
Profit before tax for the period				<u>270,110</u>

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)	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 external customers	<u>27,750</u>	<u>2,887</u>	<u>47,910</u>	<u>78,547</u>
Segment results*	<u>14,994</u>	<u>(8,802)</u>	<u>23,128</u>	29,320
<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				<u>19,350</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 external customers for the six months ended 30 June 2022 and 2021; 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 2022 and 31 December 2021. 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 2022	30 June 2021	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	13,678	16,808	4,786	6,594
Mainland China	550,431	61,339	351,342	368,911
France	112	400	17,613	19,429
	564,221	78,547	373,741	394,934

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	<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	3,048	2,887
Sale of properties	543,407	47,910
Auction and related services	21	5,533
	<u>546,476</u>	<u>56,330</u>
<i>Revenue from other sources</i>		
Interest income from advances to consignors	16,246	20,864
Gross rental income from investment properties: Operating leases — with fixed lease payments	1,499	1,353
	<u>17,745</u>	<u>22,217</u>
Total revenue	<u><u>564,221</u></u>	<u><u>78,547</u></u>

5. OTHER INCOME

An analysis of other income is as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	80	46
Gross rental income from completed properties held for sale	4,338	2,809
Interest income from loans receivable	1,143	5,028
Sundry income	246	93
	<u>5,807</u>	<u>7,976</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	49,721	24,803
Interest on lease liabilities	124	97
	<u>49,845</u>	<u>24,900</u>
Total borrowing costs	49,845	24,900
Less: Borrowing costs capitalised into properties under development	<u>(47,619)</u>	<u>(24,693)</u>
	<u>2,226</u>	<u>207</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including the directors' remuneration)		
Salaries, allowances and other benefits in kind	16,098	19,030
Contributions to defined contribution retirement plans	1,753	1,149
Share-based payment expenses	3,039	3,141
Forfeiture of share options within the vesting period	—	(2,962)
	20,890	20,358
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	1,189	1,650
Less: Amount included in inventory overheads	(63)	(487)
	1,126	1,163
Depreciation of right-of-use assets	2,721	4,247
Amortisation of intangible assets	2,437	3,985
	6,284	9,395
(c) Other items (included in other operating expenses and other gains and losses)		
Legal and professional fees	1,271	1,137
Secretarial and registration fees	165	419
Written off of advance to consignors and related interest receivables	3,730	—
Lease payments not included in the measurement of lease liabilities	30	29

8. INCOME TAX

For the six months ended 30 June 2022 and 2021, Hong Kong Profits Tax has not been provided as the subsidiaries of the Group in Hong Kong incurred losses for taxation purposes, have no assessable profits, or the estimated assessable profits for the period are wholly absorbed by unrelieved tax losses brought forward from previous years.

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% (six months ended 30 June 2021: 25%) for the six months ended 30 June 2022.

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PRC EIT	69,508	920
PRC LAT	87,452	9,000
	<u>156,960</u>	<u>9,920</u>
Deferred tax	(16,807)	2,620
Income tax expenses for the period	<u>140,153</u>	<u>12,540</u>

9. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. 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 2021: 667,525,230) in issue during the six months ended 30 June 2022.

Diluted earnings per share is the same as basic earnings per share as the effect of potential ordinary shares is anti-dilutive during the six months ended 30 June 2022.

For the six months ended 30 June 2021, the calculation of the diluted earnings per share are based on the profit for the period attributable to equity holders of the Company. 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	
	2022	2021
	<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	<u>82,682</u>	<u>3,702</u>
	Number of shares	
	At 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	667,525,230	667,525,230
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>—</u>	<u>3,663,537</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>667,525,230</u>	<u>671,188,767</u>

11. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
— Receivables from customers	145,455	33,403
— Interest receivables	94,663	87,150
Loss allowances	(25,623)	(18,119)
	214,495	102,434
Other receivables	1,057,443	1,105,223
Loss allowances	(20,537)	(17,829)
	1,036,906	1,087,394
	1,251,401	1,189,828

- (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 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Unbilled	12,712	6,878
0–30 days	126,457	12,426
31–90 days	1,961	3,131
91–180 days	2,164	13,898
181–360 days	22,310	19,530
Over 360 days	48,891	46,571
	214,495	102,434

- (b) At 30 June 2022, advances to consignors for auction business, net of loss allowances, amounted to approximately HK\$413,809,000 (31 December 2021: HK\$445,867,000). 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 2021: 8% to 15%). 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.

12. TRADE AND OTHER PAYABLES

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	111,282	119,038
Accruals	8,402	12,785
Lease liabilities	4,608	7,218
Contract liabilities	308,622	353,951
Other payables	197,115	155,832
	<u>630,029</u>	<u>648,824</u>
Analysed into:		
— Current portion	628,851	645,911
— Non-current portion	1,178	2,913
	<u>630,029</u>	<u>648,824</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 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
0–30 days	643	13,149
31–90 days	11,753	27,067
91–180 days	6,454	32,933
181–360 days	66,310	15,487
Over 360 days	26,122	30,402
	<u>111,282</u>	<u>119,038</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW, AND PROSPECT

The Group recorded a revenue of approximately HK\$564.2 million (30 June 2021: HK\$78.5 million) for the six months ended 30 June 2022. Profit for the period reached approximately HK\$130.0 million (30 June 2021: HK\$6.8 million). The profit for the period ended 30 June 2022 was mainly attributable to the increase in sale of properties.

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\$17.8 million (30 June 2021: HK\$27.8 million) and a segment loss before tax of approximately HK\$3.1 million (30 June 2021: segment profit before tax of HK\$15.0 million) for the six months ended 30 June 2022.

Auction Business

Due to the outbreak of coronavirus disease 2019 (“COVID-19”), as well as precautionary measures and pandemic prevention policy adopted by Hong Kong and cities in Mainland China, physical and online auction could not be held during first six months of 2022, while there were two large physical auctions were held in Beijing and Hainan Island in and two online auction were held in the same period of 2021. Since the year of 2020, our operation model had been adjusted, we have also hosted online auction. The decrease in segment revenue and increase in segment loss before tax were mainly attributable to the decrease in commission income received and the impairment loss incurred in the six months ended 30 June 2022. The Company restructured the auction companies and adjusted the marketing strategy in response to the highly challenging environment. The management will be continuously reviewing the business performance of the auction division, including reviewing the value of the intangible assets and goodwill.

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

This division, comprising the winery business and trading business, contributed a segment revenue of approximately HK\$3.0 million (30 June 2021: HK\$2.9 million) and with a segment loss before tax of approximately HK\$4.1 million (30 June 2021: HK\$8.8 million) for the six months ended 30 June 2022.

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. Since 2020, we have been cooperating with world-renowned painters and master brewers to develop a sizable product line with characteristics of the winery products of DTXS. 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.

Property Development Division

This division contributed a segment revenue of approximately HK\$543.4 million (30 June 2021: HK\$47.9 million) and a segment profit before tax of approximately HK\$298.5 million (30 June 2021: HK\$23.1 million) for the six months ended 30 June 2022.

The properties are located in Tang West Market, Lianhu District in Xi'an City (the "Tang West Market"), 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 square metres. During the period ended 30 June 2022, the property sales transactions in relation to the sale of commercial properties located in the Tang West Market with a total gross floor area of approximately 22,982 square metres were completed. The aggregate consideration for the property sale is approximately Renminbi ("RMB") 471.0 million. Further details of the sale of properties are set out in the Company's announcement dated 13 September 2021. During the current period, a non-wholly-owned subsidiary of the Group has entered into property sale agreements with an independent purchaser in relation to the sale of commercial properties located in the Tang West Market, with a total gross floor area of approximately 24,326 square metres, and the aggregate consideration for approximately RMB515.0 million. The relevant sale of properties is not yet completed during the period ended 30 June 2022. The sales of properties are transactions of revenue in nature and in the ordinary and usual course of business of the Group. Construction of shopping area of approximately 50,000 square metres is completed in the current period and which is ready for leasing during the second part of 2022. With the collaboration of the management expertise of the Group, the Group is confident to strengthen the development of cultural artworks operations and cultural artwork financing businesses after the completion of the Silk Road International Culture Center.

OUTLOOK

Although the Group recorded a profit in the first half of 2022, 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, creation and distribution of art collectibles in the form of non-fungible tokens (NFT) and digital artworks (DAW), 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 were mainly financed by funds raised through drawdown of bank and other borrowings and internal resources.

As at 30 June 2022, the Group's total bank balances and cash amounted to approximately HK\$234.4 million, representing an increase of approximately HK\$206.3 million as compared with the bank balances and cash of approximately HK\$28.1 million as at 31 December 2021. The increase was mainly attributable to the sales proceeds received from the sales of properties.

As at 30 June 2022, the Group had outstanding secured borrowings of approximately HK\$1,573.9 million (31 December 2021: HK\$1,659.1 million) and are repayable within one to three years (31 December 2021: within one month to three years).

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 111.1% as at 30 June 2022 (31 December 2021: 142.1%).

FOREIGN EXCHANGE EXPOSURE

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

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 2022. Income and expense items are translated at the average exchange rates for the period ended 30 June 2022. Exchange loss arising from the translation of foreign operations of approximately HK\$31.8 million (31 December 2021: Exchange gain of HK\$17.4 million) for the six months ended 30 June 2022 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 2022, other than outsourcing vendors but including contract workers, the Group has approximately 102 employees (31 December 2021: 109) 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 2022, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$1.4 million (31 December 2021: HK\$2.4 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\$514.1 million (31 December 2021: HK\$537.4 million).

HEDGING, ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

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 2022, the Group has capital commitments amounted to approximately HK\$960.2 million (31 December 2021: HK\$870.8 million).

INTERIM DIVIDEND

The board of directors does not recommend payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, 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 2022 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 2022, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 2022.

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.

2022 INTERIM REPORT

The 2022 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, 30 August 2022

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Dr. Xu Zhihong (Executive Vice-chairman), Mr. Kam Hou Yin John (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.