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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 2023

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 2023, 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 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE			
Revenue from contracts with customers	4	4,390	546,476
Interest income from advances to consignors	4	17,218	16,246
Gross rental income	4	1,276	1,499
		22,884	564,221
Other income	5	12,037	5,807
Cost of inventories sold		(1,118)	(238,281)
Staff costs	7(a)	(11,511)	(20,890)
Depreciation and amortisation expenses	7(b)	(4,620)	(6,284)
Other operating expenses		(5,695)	(7,468)
Other gains and losses, net		(6,371)	(14,197)
Reversal/(change) of impairment losses on trade and other receivables		5,715	(10,572)
Finance costs	6	(28,803)	(2,226)

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(LOSS)/PROFIT BEFORE TAX	7	(17,482)	270,110
Income tax credit/(expenses)	8	<u>1,639</u>	<u>(140,153)</u>
(LOSS)/PROFIT FOR THE PERIOD		(15,843)	129,957
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>(33,425)</u>	<u>(31,803)</u>
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE PERIOD		<u>(49,268)</u>	<u>98,154</u>
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(8,294)	82,682
Non-controlling interests		<u>(7,549)</u>	<u>47,275</u>
		<u>(15,843)</u>	<u>129,957</u>
Total comprehensive (expenses)/income for the period attributable to:			
Equity holders of the Company		(35,480)	55,587
Non-controlling interests		<u>(13,788)</u>	<u>42,567</u>
		<u>(49,268)</u>	<u>98,154</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<i>10</i>		
Basic and diluted (loss)/earnings per share		<u>HK(1.24) cents</u>	<u>HK12.39 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		88,313	94,225
Investment properties		41,078	43,012
Intangible assets		58,150	63,229
Goodwill		100,892	105,642
Financial assets at fair value through profit or loss		6,810	7,131
Deferred tax assets		39,741	41,612
Properties under development		<u>26,142</u>	<u>25,845</u>
		<u>361,126</u>	<u>380,696</u>
CURRENT ASSETS			
Properties under development		732,420	741,563
Completed properties held for sale		754,491	786,114
Inventories		32,865	33,074
Financial assets at fair value through profit or loss		—	31
Trade and other receivables	11	1,851,339	1,507,688
Loans receivable		6,500	6,500
Restricted bank deposits		2,361	2,589
Cash and cash equivalents		<u>12,195</u>	<u>102,812</u>
		<u>3,392,171</u>	<u>3,180,371</u>
CURRENT LIABILITIES			
Trade and other payables	12	680,789	352,755
Interest-bearing borrowings		1,127,839	695,971
Bond payables		—	1,200
Tax liabilities		<u>301,001</u>	<u>316,171</u>
		<u>2,109,629</u>	<u>1,366,097</u>
NET CURRENT ASSETS		<u>1,282,542</u>	<u>1,814,274</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,643,668</u>	<u>2,194,970</u>

	30 June	31 December
	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	323,111	823,299
Other payables	429	1,268
Deferred tax liabilities	14,538	15,807
	<u>338,078</u>	<u>840,374</u>
NET ASSETS	<u>1,305,590</u>	<u>1,354,596</u>
CAPITAL AND RESERVES		
Share capital	333,763	333,763
Reserves	838,110	873,328
Equity attributable to equity holders of the Company	1,171,873	1,207,091
Non-controlling interests	133,717	147,505
TOTAL EQUITY	<u>1,305,590</u>	<u>1,354,596</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 2023 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 2023 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 2022.

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 2023 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022 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 HKAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
HKFRS 17	<i>Insurance Contracts</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 2023, 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 2023

	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	4,385	—	4,390
— Interest income from advances to consignors	17,218	—	—	17,218
— Gross rental income from investment properties: Operating lease — with fixed lease payments	1,276	—	—	1,276
Revenue from external customers	<u>18,499</u>	<u>4,385</u>	<u>—</u>	<u>22,884</u>
Segment results*	<u>8,342</u>	<u>7,972</u>	<u>(25,354)</u>	<u>(9,040)</u>
<i>Reconciliation:</i>				
Unallocated other income				387
Unallocated other gains and losses, net				(264)
Unallocated corporate and other expenses				<u>(8,565)</u>
Loss before tax for the period				<u>(17,482)</u>

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>	291,335
<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>

* 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 2023 and 2022; 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 2023 and 31 December 2022. 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 2023	30 June 2022	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	15,261	13,678	2,002	2,870
Mainland China	7,538	550,431	294,932	311,477
France	85	112	17,641	17,606
	<u>22,884</u>	<u>564,221</u>	<u>314,575</u>	<u>331,953</u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers under HKFRS 15</i>		
Sale of merchandises and wines	4,385	3,048
Sale of properties	—	543,407
Auction and related services	5	21
	<u>4,390</u>	<u>546,476</u>
<i>Revenue from other sources</i>		
Interest income from advances to consignors	17,218	16,246
Gross rental income from investment properties: Operating leases — with fixed lease payments	1,276	1,499
	<u>18,494</u>	<u>17,745</u>
Total revenue	<u><u>22,884</u></u>	<u><u>564,221</u></u>

5. OTHER INCOME

An analysis of other income is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	30	80
Gross rental income from completed properties held for sale	4,354	4,338
Interest income from loans receivable	387	1,143
Gain on disposal of subsidiaries	7,261	—
Sundry income	5	246
	<u>12,037</u>	<u>5,807</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	50,387	49,721
Interest on lease liabilities	<u>79</u>	<u>124</u>
Total borrowing costs	50,466	49,845
Less: Borrowing costs capitalised into properties under development	<u>(21,663)</u>	<u>(47,619)</u>
	<u>28,803</u>	<u>2,226</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including the directors' remuneration)		
Salaries, allowances and other benefits in kind	9,888	16,098
Contributions to defined contribution retirement plans	1,361	1,753
Share-based payment expenses	262	3,039
	<u>11,511</u>	<u>20,890</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	1,130	1,189
Less: Amount included in inventory overheads	(51)	(63)
	<u>1,079</u>	<u>1,126</u>
Depreciation of right-of-use assets	1,200	2,721
Amortisation of intangible assets	2,341	2,437
	<u>4,620</u>	<u>6,284</u>
(c) Other items (included in other operating expenses and other gains and losses)		
Legal and professional fees	1,338	1,271
Secretarial and registration fees	310	165
Written off of advance to consignors and related interest receivables	—	3,730
Lease payments not included in the measurement of lease liabilities	—	30
	<u>—</u>	<u>30</u>

8. INCOME TAX

For the six months ended 30 June 2023 and 2022, 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 2022: 25%) for the six months ended 30 June 2023.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC EIT	(1,054)	69,508
PRC LAT	—	87,452
	<u>(1,054)</u>	<u>156,960</u>
Deferred tax	<u>(585)</u>	<u>(16,807)</u>
Income tax (credit)/expenses for the period	<u><u>(1,639)</u></u>	<u><u>140,153</u></u>

9. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss/earnings per share amounts is based on the loss/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 2022: 667,525,230) in issue during the six months ended 30 June 2023.

Diluted loss/earnings per share is the same as basic loss/earnings per share as the effect of potential ordinary shares is anti-dilutive during the six months ended 30 June 2023 and 2022.

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to equity holders of the Company, used in the basic and diluted loss/earnings per share calculation	<u>(8,294)</u>	<u>82,682</u>
	Number of shares	
	At 30 June	
	2023	2022
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss/earnings per share calculation	<u>667,525,230</u>	<u>667,525,230</u>

11. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
— Receivables from customers	108,792	138,662
— Interest receivables	122,657	110,795
Loss allowances	(7,774)	(27,322)
	223,675	222,135
Other receivables	1,637,687	1,310,325
Loss allowances	(10,023)	(24,772)
	1,627,664	1,285,553
	1,851,339	1,507,688

- (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 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Unbilled	108,147	121,156
0–30 days	7,278	8,542
31–90 days	3,285	936
91–180 days	6,842	12,194
181–360 days	20,301	14,904
Over 360 days	77,822	64,403
	223,675	222,135

- (b) At 30 June 2023, advances to consignors for auction business, net of loss allowances, amounted to approximately HK\$401,516,000 (31 December 2022: HK\$407,031,000). 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 2022: 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 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	93,617	107,287
Accruals	18,975	14,521
Lease liabilities	2,077	2,865
Contract liabilities	330,911	6,767
Other payables	235,638	222,583
	<u>681,218</u>	<u>354,023</u>
Analysed into:		
— Current portion	680,789	352,755
— Non-current portion	429	1,268
	<u>681,218</u>	<u>354,023</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 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–30 days	2,176	14,683
31–90 days	—	7,818
91–180 days	—	9,056
181–360 days	29,514	62,070
Over 360 days	61,927	13,660
	<u>93,617</u>	<u>107,287</u>

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 of approximately HK\$22.9 million (30 June 2022: HK\$564.2 million) for the six months ended 30 June 2023. Loss for the period was approximately HK\$15.8 million (Profit for the period ended 30 June 2022: HK\$130.0 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\$18.5 million (30 June 2022: HK\$17.8 million) and a segment profit before tax of approximately HK\$8.3 million (30 June 2022: segment loss before tax of HK\$3.1 million) for the six months ended 30 June 2023.

Auction Business

During the period, due to the current uncertain PRC economy, the arts and antique market is greatly affected. The Company has not held any large scale auction. Instead, the Company has made certain adjustments to the operation of this business unit. The Company has made a soft launch of our first ever NFT in Hong Kong. We have received favourable feedbacks and is currently in discussion with other communities to make a more comprehensive approach for a full launch of this business incentives.

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\$4.4 million (30 June 2022: HK\$3.0 million) and with a segment profit before tax of approximately HK\$8.0 million (segment loss before tax for the period ended 30 June 2022: HK\$4.1 million) for the six months ended 30 June 2023.

During the period, we have made certain restructurings to the business operation of this division, including moving the main operation to Xian, in order to improve the efficiency and better costs control measures, as well as enjoying more incentives from the local government. The traditional peak season for wine sales is during the second half of the year, the management expects the operating results of this division to improve gradually.

Property Development Division

This division contributed no segment revenue (30 June 2022: HK\$543.4 million) and a segment loss before tax of approximately HK\$25.4 million (segment profit before tax for the period ended 30 June 2022: HK\$298.5 million) for the six months ended 30 June 2023.

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 2023, the projects are under development and not yet completed. Therefore, revenue and related costs are not recognised during the period.

OUTLOOK

Although the economic recovery and business activities of China is still facing uncertainty in the short term, we believe the fundamentals of China's long term economic growth remain unchanged. With huge efforts from the PRC government inserting stimulus packages to accelerate economic growth, in particular promoting the general consumptions, we expect a rebound and a recovery of the cultural market is underway. The management will take a conservative approach, and focusing on completing and delivering the existing businesses, including the construction, sales and leasing of the Silk Road International Culture Center. Moreover, to explore any means of cooperation with the parent company focusing on the development in the cultural industry, in particular in the businesses of its international artwork trading platform, creation and marketing of 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 2023, the Group's total bank balances and cash amounted to approximately HK\$12.2 million, representing a decrease of approximately HK\$90.6 million as compared with the bank balances and cash of approximately HK\$102.8 million as at 31 December 2022.

As at 30 June 2023, the Group had outstanding secured borrowings of approximately HK\$1,450.9 million (31 December 2022: HK\$1,519.3 million) and are repayable within one year to two years (31 December 2022: within one year to two 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 122.8% as at 30 June 2023 (31 December 2022: 117.3%).

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 2023. Income and expense items are translated at the average exchange rates for the period ended 30 June 2023. Exchange loss arising from the translation of foreign operations of approximately HK\$33.4 million (for the six months period ended 30 June 2022: Exchange loss of HK\$31.8 million) for the six months ended 30 June 2023 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 2023, other than outsourcing vendors but including contract workers, the Group has approximately 102 employees (31 December 2022: 107) 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 2023, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$0.1 million (31 December 2022: HK\$0.9 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\$417.4 million (31 December 2022: HK\$437.1 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 2023, the Group has capital commitments amounted to approximately HK\$575.7 million (31 December 2022: HK\$725.1 million).

INTERIM DIVIDEND

The board of directors does not recommend payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023 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 2023, 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 2023.

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.

2023 INTERIM REPORT

The 2023 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 2023

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Mr. Huang Dahai, Mr. Wong Kwok Tung Gordon Allan (Co-Chief Executive Officer) and Mr. Sun Liming (Co-Chief Executive Officer); and three Independent Non-executive Directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Tse Yung Hoi and Mr. Kwok Chi Shing.