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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 2018**

The board of directors (the “Directors” or 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 2018 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 2018*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>105,642</b>	89,121
Other income		<b>961</b>	546
Changes in inventories		<b>(63,453)</b>	–
Financial trading technologies and related value-added services costs		<b>(3,272)</b>	(2,245)
Auction and related services costs		<b>(1,542)</b>	–
Staff costs	6(a)	<b>(28,939)</b>	(32,810)
Marine, construction and structural steel engineering costs	6(b)	<b>(7,645)</b>	(54,495)
Depreciation and amortisation expenses	6(c)	<b>(14,658)</b>	(11,431)
Other operating expenses		<b>(17,996)</b>	(22,550)
Other gains and losses, net		<b>9</b>	429
Finance costs	5	<b>(1,052)</b>	(290)
Share of losses of joint ventures		<b>–</b>	(1,449)
<b>Loss before taxation</b>	6	<b>(31,945)</b>	(35,174)
Taxation	7	<b>(1,662)</b>	992

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2018</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>2017</b> <i>HK\$'000</i> <b>(unaudited)</b>
<b>Loss for the period</b>		<b>(33,607)</b>	(34,182)
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>(5,665)</u>	<u>14,009</u>
<b>Total comprehensive expense for the period</b>		<b><u>(39,272)</u></b>	<b><u>(20,173)</u></b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		<u>(33,740)</u>	<u>(33,272)</u>
Non-controlling interests		<u>133</u>	<u>(910)</u>
		<b><u>(33,607)</u></b>	<b><u>(34,182)</u></b>
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		<u>(39,146)</u>	<u>(19,308)</u>
Non-controlling interests		<u>(126)</u>	<u>(865)</u>
		<b><u>(39,272)</u></b>	<b><u>(20,173)</u></b>
<b>Loss per share</b>			
Basic and diluted (HK cents)	9	<b><u>(6.07)</u></b>	<b><u>(6.18)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		195,147	203,539
Intangible assets		125,263	128,221
Goodwill		196,939	199,320
Financial asset at fair value through profit or loss		–	–
Loan receivables		4,133	9,719
		521,482	540,799
<b>Current Assets</b>			
Inventories		48,152	45,912
Trade and other receivables	10	272,721	277,614
Contract assets		1,688	–
Loan receivables		9,438	7,593
Tax recoverable		–	30
Bank balances and cash		51,927	72,914
		383,926	404,063
<b>Current Liabilities</b>			
Trade and other payables	11	30,299	47,979
Contract liabilities		5,687	–
Borrowings		46,096	38,091
Tax liabilities		8,730	6,664
Contingent consideration payables		–	4,000
		90,812	96,734
<b>Net Current Assets</b>		293,114	307,329
<b>Total Assets Less Current Liabilities</b>		814,596	848,128

	At <b>30 June</b> <b>2018</b> <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
<b>Capital and Reserves</b>		
Share capital	277,969	277,569
Reserves	<u>486,162</u>	<u>519,033</u>
Equity attributable to owners of the Company	<b>764,131</b>	796,602
Non-controlling interests	<u>15,052</u>	<u>15,178</u>
<b>Total Equity</b>	<b><u><u>779,183</u></u></b>	<b><u><u>811,780</u></u></b>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	27,741	28,856
Contingent consideration payables	<u>7,672</u>	<u>7,492</u>
	<u>35,413</u>	<u>36,348</u>
	<b><u><u>814,596</u></u></b>	<b><u><u>848,128</u></u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for floating craft and vessels, contingent consideration payables and option in relation to repurchase of arts and cultural collectibles which are measured at revalued amounts or fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

### 3. REVENUE

An analysis of the Group's revenue for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from:		
Sales of merchandise	65,564	–
Provision of auction and related services	22,417	10,950
Provision of fintech services	15,714	13,382
Sales of vessels	–	32,528
Provision of construction and structural steel engineering services	–	3,985
Provision of marine engineering services	1,947	28,276
	<u>105,642</u>	<u>89,121</u>

Disaggregation of revenue

**For the period ended 30 June 2018:**

Segments	Arts and Cultural Division	Fintech Division	Winery Division	e-Commerce Division	Engineering Services Division	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Types of goods or services</b>						
Sales of merchandise	–	–	4,170	61,394	–	65,564
Auction and related services	22,417	–	–	–	–	22,417
Fintech services	–	15,714	–	–	–	15,714
Marine engineering services	–	–	–	–	1,947	1,947
	<u>22,417</u>	<u>15,714</u>	<u>4,170</u>	<u>61,394</u>	<u>1,947</u>	<u>105,642</u>
<b>Total</b>	<u>22,417</u>	<u>15,714</u>	<u>4,170</u>	<u>61,394</u>	<u>1,947</u>	<u>105,642</u>

#### 4. SEGMENT INFORMATION

The Group manages its businesses by divisions. The Group's segment information is presented on the basis of internal reports that are regularly reviewed by 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 interim period ended 30 June 2018, the internal organisational structure and reporting information reviewed by the CODM was changed such that the "Jewellery Division" which mainly represents sales of jewellery, is no longer separately assessed or reviewed. Thus, the Group has five reportable operating segments as follows:

- Arts and Cultural Division – mainly represents auction business, sales of antique, art financing business and Art Central Business District business
- Fintech Division – mainly represents financial e-commerce business and provision of financial trading platform and solutions
- Winery Division – mainly represents operation of vineyard, production and sales of wine and related business
- e-Commerce Division – mainly represents trading of merchandise
- Engineering Services Division – mainly represents sales of vessels, provision of marine engineering, construction and structural steel engineering services

**(a) Segment results, assets and liabilities**

During the period ended 30 June 2018, for performance assessment and resources allocation, the CODM focused on segment revenue and results attributable to each segment, which is measured by reference to respective segments' results before taxation and adjusted by amortisations of intangible assets resulting from fair value upwards in business combinations ("Adjusted IA Amortisations"). No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

Segment profit/loss represents the profit earned by/loss from each segment without allocation of other income, central administration costs, directors' emoluments, share of results of joint ventures and loss arising from changes in fair value of contingent consideration payables.

**For the period ended 30 June 2018:**

	Arts and Cultural Division <i>HK\$'000</i> (unaudited)	Fintech Division <i>HK\$'000</i> (unaudited)	Winery Division <i>HK\$'000</i> (unaudited)	e-Commerce Division <i>HK\$'000</i> (unaudited)	Engineering Services Division <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Reportable segment revenue:						
Revenue from external customers	22,417	15,714	4,170	61,394	1,947	105,642
Inter-segment sales	-	-	-	198	-	198
Eliminations	-	-	-	(198)	-	(198)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Group revenue						105,642
Segment results*	<u>8,671</u>	<u>(3,137)</u>	<u>336</u>	<u>(152)</u>	<u>(11,850)</u>	<u>(6,132)</u>
Unallocated other income						7
Unallocated loss arising from changes in fair value of contingent consideration payables						(180)
Unallocated corporate expenses						(20,344)
Unallocated depreciation expense						(597)
Unallocated amortisation expenses						<u>(4,699)</u>
Loss before taxation						<u><u>(31,945)</u></u>

\* Segment results are before taxation and Adjusted IA Amortisations.

For the period ended 30 June 2017:

	Arts and Cultural Division <i>HK\$'000</i> (unaudited)	Fintech Division <i>HK\$'000</i> (unaudited)	Winery Division <i>HK\$'000</i> (unaudited)	e-Commerce Division <i>HK\$'000</i> (unaudited)	Engineering Services Division <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Reportable segment revenue:						
Revenue from external customers	<u>10,950</u>	<u>13,382</u>	<u>–</u>	<u>–</u>	<u>64,789</u>	<u>89,121</u>
Segment results*	<u>1,157</u>	<u>480</u>	<u>(3,399)</u>	<u>–</u>	<u>(4,898)</u>	<u>(6,660)</u>
Unallocated other income						231
Unallocated share of results of joint ventures						(1,449)
Unallocated loss arising from changes in fair value of contingent consideration payables						(441)
Unallocated corporate expenses						(22,078)
Unallocated depreciation expense						(496)
Unallocated amortisation expenses						<u>(4,281)</u>
Loss before taxation						<u><u>(35,174)</u></u>

\* Segment results are before taxation and Adjusted IA Amortisations.

**(b) Geographical information**

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 2018 and 2017 and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("Specified non-current assets") as at 30 June 2018 and 31 December 2017. 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 the Specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		Specified non-current assets	
	Six months ended		As at	
	30 June 2018	30 June 2017	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	<b>94,202</b>	76,628	<b>74,156</b>	172,064
The People's Republic of China (the "PRC")	<b>11,420</b>	12,493	<b>412,698</b>	322,908
France	<b>20</b>	–	<b>30,495</b>	36,108
Consolidated	<b>105,642</b>	89,121	<b>517,349</b>	531,080

**5. FINANCE COSTS**

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on loans	<b>1,052</b>	290

## 6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	24,776	25,578
Contributions to defined contribution retirement plans	456	450
Share-based payment expenses	3,707	6,782
	<u>28,939</u>	<u>32,810</u>
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	5,384	45,953
Direct overheads	249	70
Repairs, maintenance and vessel security costs	2,012	3,186
Transportation costs	–	5,286
	<u>7,645</u>	<u>54,495</u>
(c) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	7,305	5,465
Amortisation of intangible assets	7,353	5,933
Release of lease prepayments	–	33
	<u>14,658</u>	<u>11,431</u>
(d) Other items (included in other operating expenses)		
Legal and professional fees	1,422	3,871
Secretarial and registration fees	402	502
Operating lease charges in respect of office premises and plant	9,026	6,480
	<u>9,026</u>	<u>6,480</u>



## 10. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
Trade receivables	36,954	35,433
Less: Allowance for doubtful debts	<u>(2,122)</u>	<u>(2,122)</u>
	<u>34,832</u>	<u>33,311</u>
Other receivables and prepayments ( <i>Note (a)</i> )	243,571	248,297
Less: Impairment losses	<u>(5,682)</u>	<u>(5,682)</u>
	<u>237,889</u>	<u>242,615</u>
Retention money receivables	<u>–</u>	<u>1,688</u>
	<u><b>272,721</b></u>	<u><b>277,614</b></u>

The aging analysis of trade receivables of the Group, net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period is as follows:

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
0 – 30 days	20,309	17,726
31 – 90 days	4,059	10,352
91 – 180 days	6,047	3,964
181 – 360 days	3,660	596
Over 360 days	<u>2,879</u>	<u>2,795</u>
	36,954	35,433
Less: Allowance for doubtful debts	<u>(2,122)</u>	<u>(2,122)</u>
	<u><b>34,832</b></u>	<u><b>33,311</b></u>

Credit terms granted by the Group to customers generally range from 90 to 150 days.

The Group always measures the impairment allowance for the trade receivables at amount equal to lifetime expected credit losses (“ECL”). As part of the Group’s credit risk management, the Group applies internal credit rating for its customers. The Group assessed the ECL for the trade receivables collectively based on provision matrix as at 1 January 2018 and 30 June 2018. No significant impairment allowance for trade receivables were provided based on provision matrix since the loss given default and exposure at default were low based on historical credit loss experience. The Group has also assessed all available forward looking information at the reporting date. Allowance for doubtful debts with aggregate balances of HK\$2,122,000 represents individually impaired trade receivables as the directors of the Company considered the outstanding balances were uncollectible.

*Note:*

- (a) As at 30 June 2018, advances to consignors for auction business amounted to approximately HK\$222,427,000 (31 December 2017: HK\$228,478,000). The balance are secured by auction goods from consignors which will be offset from sales proceed of auction items, and with fixed interest rates from 11% to 18% per annum. These prepayments are either repayable on demand or repayable within 12 months in accordance with the respective agreements.

## 11. TRADE AND OTHER PAYABLES

	At 30 June 2018 <i>HK\$’000</i> (unaudited)	At 31 December 2017 <i>HK\$’000</i> (audited)
Trade creditors	4,596	10,138
Advances received from customers	–	3,224
Accruals	6,826	11,086
Other payables	18,877	23,531
	<u>30,299</u>	<u>47,979</u>

The aging analysis of trade creditors, presented based on the invoice date, at the end of the reporting period is as follows:

	At 30 June 2018 <i>HK\$’000</i> (unaudited)	At 31 December 2017 <i>HK\$’000</i> (audited)
0 – 30 days	1,530	6,519
31 – 90 days	1,263	1,899
91 – 180 days	1,299	747
181 – 360 days	328	83
Over 360 days	176	890
	<u>4,596</u>	<u>10,138</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL AND BUSINESS REVIEW**

The Group recorded a revenue of HK\$105.6 million (first half of 2017: HK\$89.1 million) with a loss of HK\$33.6 million (first half of 2017: HK\$34.2 million) for the six months ended 30 June 2018.

#### **Arts and Cultural Division**

This division, which includes the auction business and Art Central Business District business (“ACBD Business”), contributed a segment revenue of HK\$22.4 million (first half of 2017: HK\$11.0 million), and a segment profit before taxation and amortisation of intangible assets (“Segment Profit”) of HK\$8.7 million (first half of 2017: HK\$1.2 million) for the six months ended 30 June 2018.

##### Auction Business

The auction business contributed Segment Profit of HK\$14.2 million for the six months ended 30 June 2018 (first half of 2017: HK\$4.8 million). Two auctions were held during the period under review in Hong Kong and Xian respectively. The auction prepayments and art financing business have been made functional during the period under review, which not only allow more flexibility to our auction participants, but also derive additional income source for the Group. It has planned to organise three auctions in Hong Kong, Beijing and Xian with different special interests in the second half of this year.

##### ACBD Business

The auction business hosted the second ever Hong Kong auction in ACBD in May this year. During the auction, ACBD collaborated with a Chinese water painting artist Mr. Fan Fan who brought more varieties to the auction. Various art events took place in ACBD during the review period such as cooperated with a renowned Hong Kong jewellery brand for its exhibition, painting exhibitions etc. ACBD aims to create a strong network with other art and culture partners with the presence of ACBD to host events and networking.

## **Fintech Division**

This division contributed a segment revenue of HK\$15.7 million (first half of 2017: HK\$13.4 million), and recorded a segment loss before taxation and amortisation of intangible assets (“Segment Loss”) of HK\$3.1 million (first half of 2017: profit of HK\$0.5 million) for the six months ended 30 June 2018.

During the period under review, m-Finance group delivered and launched trading platform solution for clients from Hong Kong and overseas countries, while established partnership with three more international liquidity providers as well. On a standalone basis, it contributed a segment revenue of HK\$15.7 million (first half of 2017: HK\$13.4 million) and a Segment Profit of HK\$1.5 million (first half of 2017: HK\$1.8 million). m-Finance awarded by APAC Insider’s Global Excellence Awards as “Leader in Global Market Analysis – Asia”. In the meantime, an electronic communication network (“ECN”) trading platform phrase one has been accomplished during review period, kicked-off promotion and demonstration of ECN trading platform at Asia Trading Summit 2018 in Shanghai in March 2018.

## **Winery Division**

This division contributed a segment revenue of HK\$4.2 million (first half of 2017: nil), and with a Segment Profit of HK\$0.3 million (first half of 2017: loss of HK\$3.4 million) for the six months ended 30 June 2018.

A good harvest in coming September is expected by the vineyard, while working on diversifying distribution channels in both Hong Kong and China.

## **E-Commerce Division**

This division contributed a segment revenue of HK\$61.4 million (first half of 2017: nil), and a Segment Loss of HK\$0.2 million (first half of 2017: nil) for the six months ended 30 June 2018.

Aiming at global cross-border e-commerce, currently e-Commerce Division is cooperating with a major airline as their inflight sales provider. Through an encouraging product range expanding on electronic and cosmetic, e-Commerce Division has been licensed over 80 product brands with over 300 products during the review period. In addition, by cooperating with e-commerce platform from both home and abroad and with more airline companies joining our program, promising increases on sales volume and margin are expected in the latter half of the year.

## **Engineering Services Division**

This division contributed a segment revenue of HK\$1.9 million (first half of 2017: HK\$64.8 million), and a Segment Loss of HK\$11.9 million (first half of 2017: HK\$4.9 million) for the six months ended 30 June 2018.

## **OUTLOOK**

For the second half of 2018, we will continue to focus on consolidating existing business divisions, executing the new business ideas for each of the divisions, and creating synergies among different divisions within the Group. The management shall continue leverage on the parent company business network and capture growth opportunities, includes partnering with the parent company and/or further acquiring assets from the parent company for the sustainable growth in the future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, the Group's operations and acquisition activities were mainly financed by funds raised through open offer of new shares of the Company in the fourth quarter of 2015.

As at 30 June 2018, the Group's total cash and cash equivalents balance amounted to HK\$51.9 million, which was denominated mainly in Hong Kong Dollars (27.8%) and Renminbi (61.1%), representing a decrease of HK\$21.0 million as compared with the cash and cash equivalents balance of HK\$72.9 million as at 31 December 2017. The decrease was mainly attributable to the utilisation for working capital purposes during the period under review.

As at 30 June 2018, the Group had outstanding secured borrowings of HK\$0.6 million and unsecured borrowings of HK\$45.5 million (31 December 2017: HK\$0.6 million and HK\$37.5 million respectively). The total amount of borrowings of HK\$46.1 million (31 December 2017: HK\$38.1 million) was repayable within one year.

## **GEARING**

The gearing ratio of the Group (expressed as a percentage of total liabilities over total asset value as at the end of the reporting period) was 13.9% as at 30 June 2018 (31 December 2017: 14.1%).

## **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 People's Republic of China are mainly denominated in Renminbi.

For the purposes of presenting condensed 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 2018. Income and expense items are translated at the average exchange rates for the period ended 30 June 2018. Exchange differences arising from the translation of foreign operations of exchange loss of HK\$5.7 million (first half of 2017: gain of HK\$14.0 million) for the interim period are recognised in other comprehensive expense and accumulated in equity under the heading of "exchange differences on translation of financial statements 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 2018, other than outsourcing vendors but including contract workers, the Group has approximately 159 employees (31 December 2017: 169) in Hong Kong and the Mainland China. Total staff costs excluding contract workers, amounted to HK\$28.9 million (30 June 2017: HK\$32.8 million) for the period under review. 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**

As at 30 June 2018, contingent liabilities amounted to HK\$7.7 million (31 December 2017: HK\$11.5 million), arising from the contingent consideration payables to the vendor on acquisition.

## **CAPITAL AND OTHER COMMITMENTS**

At 30 June 2018, the Group had no significant capital and other commitments.

## USE OF PROCEEDS

The net proceeds raised from the issuance of the Company's shares on an open offer on 9 December 2015 (the "Open Offer") was HK\$420.3 million. The original allocation of proceeds from the Open Offer, the utilisation and remaining balance of the proceeds as at 31 December 2017 and 30 June 2018 summarised below:

Uses	As at		For the year ended		For the six months ended	
	Original allocation	Remaining balance	Utilised	Remaining balance	Utilised	Remaining balance
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Repayment of loans	48.0	7.1	7.1	–	–	–
Development of online marketplace for arts and collections	80.0	38.0	26.0	12.0 <sup>(Note)</sup>	–	12.0 <sup>(Note)</sup>
Acquisition of inventories for the online marketplace platform	107.4	8.4	8.4	–	–	–
Expansion of the operation scale of the Group	36.0	5.4	5.4	–	–	–
Acquisitions for arts and cultural related business	148.9	–	–	–	–	–
<b>Total</b>	<b>420.3</b>	<b>58.9</b>	<b>46.9</b>	<b>12.0</b>	<b>–</b>	<b>12.0</b>

### Note:

On 23 May 2016, the Company announced that the Group had entered into a memorandum of understanding to acquire 85% interest in a financial e-commerce company (the "E-commerce Acquisition") with well-established information technology personnel and proven technological capacity in order to develop its online marketplace for arts and collections. The cash consideration for the E-commerce Acquisition is HK\$40.8 million (subject to profit guarantee adjustments). The E-commerce Acquisition was subsequently completed on 26 August 2016 and the Group paid HK\$28.8 million as the down payment. Since the E-commerce Acquisition has met its first profit guarantee for the period ended 31 December 2017, the Company has to pay HK\$4.0 million in the second half of 2018. The Group intends to apply the remaining balance of approximately HK\$8.0 million as contingent consideration payables in future years.

## **PROFIT GUARANTEE**

As disclosed in the announcement of the Company dated 22 July 2016 in relation to the acquisition of 85% interests in m-Finance (the “m-Finance Acquisition”), the vendor of m-Finance Limited (the “m-Finance Vendor”) has guaranteed to the Company, among others, that the audited consolidated profit after tax of m-Finance (the “Net Profit”) for the period from 26 August 2016 to 31 December 2017 (the “2017 Guaranteed Period”) shall not be less than HK\$10,000,000 (the “2017 Profit Guarantee”).

Based on audited consolidated financial statements of m-Finance, the Net Profit for 2017 Guaranteed Period has exceeded HK\$10,000,000 and therefore the 2017 Profit Guarantee has been fulfilled. Pursuant to the terms of the m-Finance Acquisition, if the Net Profit for the 2017 Guaranteed Period is more than or equal to HK\$10,000,000, then the Company is required to pay HK\$4,000,000 in cash to the m-Finance Vendor (the “First Adjusted Consideration Payment”). It is expected that the Company will pay the First Adjusted Consideration Payment of HK\$4,000,000 to m-Finance Vendor by end of December 2018.

## **INTERIM DIVIDEND**

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2018, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities 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 all shareholders of the Company.

During the six months ended 30 June 2018, 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 followings:

Code E.1.2 requires the chairman of the board should attend the annual general meeting. Code A.6.7 also 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, the chairman of the Board and one non-executive Director were absent from the annual general meeting of the Company held on 30 May 2018 (the “AGM”). However, the other executive Directors and non-executive Directors (including independent non-executive Directors) had attended the AGM to ensure effective communication with the shareholders of the Company.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. 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 2018.

### **REVIEW OF INTERIM RESULTS**

The audit committee of the Company, comprising all independent non-executive Directors, has reviewed the interim report, including the interim financial report, for the six months ended 30 June 2018.

The interim financial report for the six months ended 30 June 2018 is unaudited, but has been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## **2018 INTERIM REPORT**

The 2018 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](http://www.dtxs.com)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://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**

**Lai Kim Fung**

*Executive Director and Chief Executive Officer*

Hong Kong, 29 August 2018

*As at the date of this announcement, the board of directors of the Company comprises four Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Mr. Lai Kim Fung (Chief Executive Officer) and Mr. Wong Kwok Tung Gordon (Deputy Chief Executive Officer); two Non-executive Directors, namely Mr. Wang Shi and Mr. Jean-Guy Carrier; and four Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Ms. Fan Chiu Fun, Fanny, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi.*