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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)

### FINANCIAL RESULTS FOR THE FIVE MONTHS ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of DTXS Silk Road Investment Holdings Company Limited (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the five months ended 31 December 2015 together with the comparative figures for the year ended 31 July 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the five months ended 31 December 2015

	Note	Five months ended 31 December 2015 HK\$'000	Year ended 31 July 2015 HK\$'000
Revenue	4	60,197	89,042
Other revenue		7,408	8,889
Changes in inventories		(39,320)	–
Staff costs	7(a)	(12,000)	(26,167)
Marine, construction and structural steel engineering costs	7(b)	(17,985)	(77,528)
Depreciation and amortisation	7(c)	(3,456)	(8,132)
Loss on disposal of subsidiaries		(1,473)	(10,902)
Other operating expenses		(11,294)	(9,583)
<b>Loss from operations</b>		<b>(17,923)</b>	<b>(34,381)</b>
Finance costs	6	(1,183)	(831)
Share of losses of joint ventures		(1,563)	(2,930)
<b>Loss before taxation</b>		<b>(20,669)</b>	<b>(38,142)</b>
Income tax	8	–	–
<b>Loss for the period/year attributable to owners of the Company</b>		<b>(20,669)</b>	<b>(38,142)</b>
<b>Loss per share</b>			(restated)
– Basic	9(a)	<b>(6.23) cents</b>	<b>(13.79) cents</b>
– Diluted	9(b)	<b>(6.23) cents</b>	<b>(13.79) cents</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the five months ended 31 December 2015

	<b>Five months ended 31 December 2015 HK\$'000</b>	Year ended 31 July 2015 HK\$'000
<b>Loss for the period/year</b>	<b>(20,669)</b>	(38,142)
<b>Other comprehensive income for the period/year</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(590)	(174)
Reclassification of exchange reserve upon disposal of subsidiaries	<u>(2,656)</u>	<u>(6,081)</u>
Other comprehensive income for the period/year	<u>(3,246)</u>	<u>(6,255)</u>
<b>Total comprehensive loss for the period/year attributable to owners of the Company</b>	<b><u>(23,915)</u></b>	<b><u>(44,397)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2015*

		At 31 December 2015 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		46,538	47,910
Lease prepayments		412	462
Club membership		–	200
Interests in joint ventures		42,904	46,824
Other receivables		120	320
Loan receivable		948	948
		<b>90,922</b>	<b>96,664</b>
<b>Current assets</b>			
Inventories		5,967	5,975
Lease prepayments		72	75
Trade and other receivables	10	58,766	20,478
Amount due from an associate		–	1,893
Amount due from a joint venture		2,275	6,017
Amounts due from customers for contract works		11,847	8,967
Amounts due from related parties		–	11,269
Cash and cash equivalents		531,896	81,956
		<b>610,823</b>	<b>136,630</b>
<b>Current liabilities</b>			
Trade and other payables	11	19,067	17,336
Obligations under finance leases		70	68
Loan from a related company		41,044	634
Amounts due to related parties		5,790	7,051
Amount due to a joint venture		6,656	8,104
Amounts due to customers for contract works		1,710	3,000
Amounts due to directors		–	1,639
Amounts due to directors of subsidiaries		1,792	–
		<b>76,129</b>	<b>37,832</b>
<b>Net current assets</b>		<b>534,694</b>	<b>98,798</b>
<b>Total assets less current liabilities</b>		<b>625,616</b>	<b>195,462</b>
<b>Non-current liabilities</b>			
Obligations under finance leases		67	97
Loan from a related company		–	103,851
		<b>67</b>	<b>103,948</b>
<b>NET ASSETS</b>		<b>625,549</b>	<b>91,514</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		237,318	142,001
Reserves		388,231	(50,487)
<b>TOTAL EQUITY</b>		<b>625,549</b>	<b>91,514</b>

## 1. CORPORATE INFORMATION

DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (the “Company”) was incorporated in Bermuda as an exempted company with limited liability on 31 May 1991 under the Companies Act of Bermuda and has its registered office at the Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and principal place of business at Unit 811-817, 8/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are sales of jewellery, sales of vessels, marine engineering, construction and structural steel engineering and related services.

In the opinion of the directors, the ultimate holding company of the Company is 大唐西市文化產業投資集團有限公司 (“DTXS Investment”), a private limited liability company incorporated in the People’s Republic of China (the “PRC”). This entity does not produce financial statements available for public use.

### **Change of Company name and stock short name**

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 25 January 2016 and the approval by the Registrar of the Companies in Bermuda on 27 January 2016, the name of the Company has been changed from “UDL Holdings Limited 太元集團有限公司” to “DTXS Silk Road Investment Holdings Company Limited 大唐西市絲路投資控股有限公司”. The stock short name for the trading of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been changed from “UDL HOLDINGS” to “DTXS SILK ROAD” in English and “大唐西市” in Chinese both with effect on 18 February 2016.

### **Change of financial year end date**

Pursuant to a resolution passed by the Board of the Company on 8 December 2015, the Company’s financial year end date has been changed from 31 July to 31 December in order to align with the financial year end date of its subsidiaries and its controlling shareholder incorporated in the PRC. Accordingly, the current financial period covers a five-month period from 1 August 2015 to 31 December 2015. The comparative figures cover a twelve-month period from 1 August 2014 to 31 July 2015, which may not be comparable with amounts shown for the current period.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the period from 1 August 2015 to 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These financial statements are presented in Hong Kong dollar (“HK\$”), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company’s functional and the Group’s presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for floating craft and vessels which are stated at their fair value.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current period and prior years and on the disclosures set out in these consolidated financial statements.

### *Annual Improvement to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle*

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

The HKICPA has issued a few amendments and new standards which are not yet effective for the period ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has considered that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

### 4. REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the period/year include sales of jewellery, marine engineering and construction and structural steel engineering work.

An analysis of the amount of each significant category of revenue from principal activities during the period/year is as follows:

	<b>Five months ended</b>	Year ended
	<b>31 December 2015</b>	31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of jewellery	<b>38,534</b>	–
Marine engineering	<b>17,369</b>	62,338
Construction and structural steel engineering	<b>4,294</b>	26,704
	<b>60,197</b>	89,042

The revenue of the Group for the year ended 31 December 2015 amounted to HK\$117,077,000 comprises revenue from sales of jewellery, marine engineering and construction and structural steel engineering of HK\$38,534,000, HK\$56,367,000 and HK\$22,176,000 respectively.

## 5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business line. 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 purpose of resource allocation and performance assessment, the Group has four reportable segments as below. No operating segments have been aggregated to form the following reportable segments.

- (i) Sales of jewellery
- (ii) Marine engineering
- (iii) Construction and structural steel engineering
- (iv) Sales of vessels

During the period, the Group has entered into a new segment of sales of jewellery.

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

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated and the expenses incurred by those segments or which would otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represents the profit/(loss) earned by each segment without allocation of interest income from bank deposits/bank balances, certain unallocated corporate other revenue and income, corporate expenses and finance costs. No inter-segment sales have occurred for the five months ended 31 December 2015 and the year ended 31 July 2015.

Segment assets include all tangible, intangible assets and current assets, with exception of other corporate assets. Segment liabilities include trade and other payables, amounts due to customers for contract works, obligations under finance leases and amount due to a joint venture and related parties attributable to individual segments.

## 5. SEGMENT INFORMATION (CONTINUED)

### (a) Segment results, assets and liabilities (Continued)

	Sales of jewellery		Marine engineering		Construction and structural steel engineering		Sales of vessels		Consolidated	
	31 December	31 July	31 December	31 July	31 December	31 July	31 December	31 July	31 December	31 July
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue:										
Revenue from external customers	38,534	-	17,369	62,338	4,294	26,704	-	-	60,197	89,042
Reportable segment results	394	-	(21,705)	(29,207)	703	(8,518)	-	(596)	(20,608)	(38,321)
Unallocated head office and corporate other revenue and income									4,755	8,888
Unallocated head office and corporate expenses									(3,633)	(7,878)
Unallocated finance costs									(1,183)	(831)
Loss before taxation									(20,669)	(38,142)



## 5. SEGMENT INFORMATION (CONTINUED)

### (a) Segment results, assets and liabilities (Continued)

	Sales of jewellery		Marine engineering		Construction and structural steel engineering		Sales of vessels		Consolidated	
	31 December	31 July	31 December	31 July	31 December	31 July	31 December	31 July	31 December	31 July
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>										
Reportable segment assets	35,742	-	622,436	46,108	43,004	124,451	-	61,369	701,182	231,928
Unallocated head office and corporate assets	-	-	-	-	-	-	-	-	563	1,366
Total consolidated assets									<u>701,745</u>	<u>233,294</u>
<b>LIABILITIES</b>										
Reportable segment liabilities	-	-	76,142	122,276	13	10,286	-	9,160	76,155	141,722
Unallocated head office and corporate liabilities	-	-	-	-	-	-	-	-	41	58
Total consolidated liabilities									<u>76,196</u>	<u>141,780</u>
<b>OTHER INFORMATION</b>										
Interests in joint ventures	-	-	-	-	42,904	46,824	-	-	42,904	46,824
Capital expenditure incurred during the period/year	-	-	3,002	128	-	-	-	36	3,002	164
Share of losses of joint ventures	-	-	-	-	1,563	2,930	-	-	1,563	2,930
Interest income	-	-	92	318	25	8	-	-	117	326
Depreciation and amortisation	-	-	3,361	8,132	95	-	-	-	3,456	8,132
Impairment loss on other receivables	-	-	-	635	-	-	-	596	-	1,231

### (b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and lease prepayments ("specified non-current assets"). 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.

	Hong Kong		PRC		Consolidated	
	31 December	31 July	31 December	31 July	31 December	31 July
	2015	2015	2015	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>60,197</u>	<u>89,042</u>	<u>-</u>	<u>-</u>	<u>60,197</u>	<u>89,042</u>
Specified non-current assets	<u>46,406</u>	<u>47,755</u>	<u>544</u>	<u>617</u>	<u>46,950</u>	<u>48,372</u>

## 5. SEGMENT INFORMATION (CONTINUED)

### (c) Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	<b>Five months ended 31 December 2015 <i>HK\$'000</i></b>	Year ended 31 July 2015 <i>HK\$'000</i>
Revenue from marine engineering:		
– Customer A	<b>6,577</b>	27,651
– Customer B	–	15,912
Revenue from construction and structural steel engineering:		
– Customer C	–	12,517
Revenue from sale of jewellery		
– Customer D	<b>12,481</b>	–
– Customer E	<b>7,799</b>	–
– Customer F	<b>7,417</b>	–
	<hr/> <b>34,274</b> <hr/>	<hr/> 56,080 <hr/>

## 6. FINANCE COSTS

	<b>Five months ended 31 December 2015 <i>HK\$'000</i></b>	Year ended 31 July 2015 <i>HK\$'000</i>
Interest on loans from related companies	<b>1,182</b>	825
Finance charges on obligations under finance leases	<b>1</b>	6
	<hr/> <b>1,183</b> <hr/>	<hr/> 831 <hr/>

## 7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	<b>Five months ended</b> <b>31 December 2015</b> <i>HK\$'000</i>	Year ended 31 July 2015 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,901	25,962
Contributions to defined contribution retirement plans	99	205
	<b>12,000</b>	<b>26,167</b>
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	8,425	51,944
Direct overheads	793	1,924
Repairs, maintenance and vessel security	3,940	11,982
Transportation cost	4,827	11,678
	<b>17,985</b>	<b>77,528</b>
(c) Depreciation and amortisation		
Depreciation of property, plant and equipment	3,425	8,057
Amortisation of lease prepayments	31	75
	<b>3,456</b>	<b>8,132</b>
(d) Other items		
Auditor's remuneration		
– Audit services	1,000	1,200
– Non-audit services	287	80
Operating lease charges in respect of land and buildings	1,800	2,108
Impairment loss on other receivables	–	1,231
Net foreign exchange loss	207	29
	<b>207</b>	<b>29</b>

## 8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The Company and subsidiaries of the Group incorporated in Bermuda and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both current period and prior year. No provision has been made for Hong Kong Profits Tax as the Group did not derive any assessable profit subject to Hong Kong Profits Tax during both current period and prior year.

The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% for both current period and prior year. No provision for PRC Corporate Income tax has been made as the Group's PRC subsidiaries did not generate any assessable profits during both current period and prior year.

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$20,669,000 (for the year ended 31 July 2015: loss of HK\$38,142,000) and the weighted average number of 331,822,856 (for the year ended 31 July 2015: 276,558,331) ordinary shares in issue during the period, calculated as follows:

*Weighted average number of ordinary shares*

	<b>Five months ended 31 December 2015</b>	Year ended 31 July 2015 (restated)
Weighted average number of ordinary shares	<b><u>331,822,856</u></b>	<u>276,558,331</u>

The weighted average number of ordinary shares for the purpose of basic loss per share have been adjusted for the bonus element of the open offer completed in December 2015.

### (b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the year ended 31 July 2015 since the exercise of the Company's share options is anti-dilutive and would result in a reduction in loss per share. The Company had no dilutive potential ordinary shares in existence during the five months ended 31 December 2015. Therefore, the diluted loss per share is same as the basic loss per share for the period and prior year.

## 10. TRADE AND OTHER RECEIVABLES

### (a) Trade receivables

	At 31 December 2015 HK\$'000	At 31 July 2015 HK\$'000
Trade receivables ( <i>note (a)</i> )	40,465	5,283
Less: Impairment loss	(2,122)	(2,122)
	<u>38,343</u>	<u>3,161</u>
Other receivables ( <i>note (b)</i> )	46,082	40,227
Less: Impairment loss	(31,585)	(31,631)
	<u>14,497</u>	<u>8,596</u>
Retention money receivables	2,024	3,884
Less: Impairment loss	–	–
	<u>2,024</u>	<u>3,884</u>
Loan receivable ( <i>note (c)</i> )	3,902	4,837
	<u>58,766</u>	<u>20,478</u>

### (i) Ageing analysis

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

	At 31 December 2015 HK\$'000	At 31 July 2015 HK\$'000
0 – 30 days	37,846	2,333
31 – 90 days	–	609
91 – 180 days	1	171
181 – 360 days	490	48
Over 360 days	2,128	2,122
	<u>40,465</u>	<u>5,283</u>
Less: Allowance for doubtful debts	(2,122)	(2,122)
	<u>38,343</u>	<u>3,161</u>

Except for retention receivables, credit terms granted by the Group to customers generally range from 120 to 150 days and 90 days for jewellery customers.

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the period are as follows:

	<b>Five months ended 31 December 2015</b>	Year ended 31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 August	2,122	5,417
Amounts written off as uncollectible	—	(3,295)
	<hr/>	<hr/>
At 31 December/31 July	<b>2,122</b>	2,122
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2015, the Group's trade receivables of HK\$2,122,000 (as at 31 July 2015: HK\$2,122,000) were individually determined to be impaired. The individually impaired receivables related to customers that were past due and slow-paying or in financial difficulties and management assessed that recoverability of these receivables are in doubt.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December 2015	At 31 July 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	37,846	2,333
Past due but not impaired		
31 – 90 days	—	609
91 – 180 days	1	171
181 – 360 days	490	48
Over 360 days	6	—
	<hr/>	<hr/>
	<b>38,343</b>	3,161
	<hr/> <hr/>	<hr/> <hr/>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (b) Other receivables

#### (i) Impairment of other receivables

	<b>Five months ended</b> <b>31 December 2015</b> <i>HK\$'000</i>	Year ended 31 July 2015 <i>HK\$'000</i>
At 1 August	<b>31,631</b>	6,518
Impairment loss recognised	–	1,231
Disposal of subsidiaries	–	23,909
Exchange difference	<b>(46)</b>	(27)
	<hr/>	<hr/>
At 31 December/31 July	<b><u>31,585</u></b>	<b><u>31,631</u></b>

#### *Note:*

Included in other receivables at 31 December 2015 is the aggregate amount of recovery costs of HK\$6,635,000 (as at 31 July 2015: HK\$6,635,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement (the “Scheme”). Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front Limited (“Harbour Front”), the Group shall act as nominee of Harbour Front to recover the Scheme Assets and the Group will be reimbursed for such amount upon the successful recovery of these Scheme Assets.

Since the recovery action of the Scheme Assets is still ongoing and the Group would only be reimbursed of all these recovery costs incurred by Harbour Front until successful recovery of all these Scheme Assets. The directors of the Company consider that as the outcome of the recovery actions taken by the Group is uncertain, it is appropriate to make further impairment loss on these recovery costs incurred totaling HK\$6,635,000 (for the year ended 31 July 2015: HK\$6,635,000). The remaining balance were individually determined to be impaired. The individually impaired receivables related to receivables that were past due and slow-paying or in financial difficulties and management assessed that recoverability of these receivables are in doubt.

Impairment loss of HK\$1,114,000 for the year ended 31 July 2015 was related to irrecoverable temporary payments made on behalf of Sunfill Limited which was wound up on 11 December 2013.

### (c) Loan receivables

Loan receivables comprised of HK\$2,775,000, including non-current portion of HK\$948,000 (as at 31 July 2015: HK\$3,130,000, including non-current portion of HK\$948,000) and HK\$2,075,000 (as at 31 July 2015: HK\$2,655,000) made to a former associate, Crown Asia Engineering Limited (“Crown Asia”), bearing interest at 3.5% per annum and 1% per annum, respectively. The loans are secured on the marine plant of Crown Asia and issued shares of its subsidiary, Crown Asia Logistics Limited and are repayable over a period of 36 months.

## 11. TRADE AND OTHER PAYABLES

	At 31 December 2015 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
Trade creditors	4,747	2,269
Advances received from customers for contract works	661	721
Accruals	5,539	4,174
Other payables	8,120	10,172
	<u>          </u>	<u>          </u>
Financial liabilities measured at amortised cost	<u>19,067</u>	<u>17,336</u>

The following is an analysis of trade payables by age presented based on the invoice date.

	At 31 December 2015 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
0 – 30 days	3,979	1,158
31 – 90 days	623	795
91 – 180 days	8	183
181 – 360 days	6	6
Over 360 days	131	127
	<u>          </u>	<u>          </u>
	<u>4,747</u>	<u>2,269</u>

## 12. CONTINGENCIES AND LITIGATIONS

UDL Contracting Limited (“UDL Contracting”), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 2007 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK\$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting is unlikely to incur any liability save for legal costs. The legal costs of the first defendant have been settled amicably upon the claim against the first defendant having been stayed to arbitration. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an irrevocable letter of undertaking dated 23 October 2008 provided by Harbour Front, UDL Contracting is entitled to the reimbursement of the recovery costs upon success in the Scheme Asset recovery action.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW AND FUTURE PROSPECTS**

In view of align with the financial year end date of a number of subsidiaries of the Company incorporated in the People's Republic of China ("PRC") and its controlling shareholder, which will facilitate the preparation of the audited consolidated financial statements and better planning in order to improve the overall operational efficiency of the Company and its subsidiaries, therefore the financial year end date of the Company was changed from 31 July to 31 December. It should be noted that the 2015 financial information presented herein which covered the five months from 1 August 2015 to 31 December 2015 are being compared with that for financial period which covered the twelve months ended 31 July 2015. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

The Group recorded revenue approximately HK\$60.20 million for the five months ended 31 December 2015 (for the year ended 31 July 2015: HK\$89.04 million) and recorded a loss of approximately HK\$20.70 million for the five months ended 31 December 2015 (for the year ended 31 July 2015: loss of HK\$38.14 million).

#### **Sales of Jewellery**

The sales of jewellery contributed a revenue of HK\$38.53 million for the five months ended 31 December 2015 (for the year ended 31 July 2015: Nil) and a segment gain of HK\$0.39 million (for the year ended 31 July 2015: Nil). It is a new business segment which generates a new source of income for the Group. As reference to the Company's announcement dated 7 December 2015 regarding a disclosable transaction for an acquisition of the Jewellery, the Group plans to invest, develop and operate an online direct sales and online market place for high end art and collections including but not limited to wine, tea, coins and jewellery. During the five months ended 31 December 2015, the Group successfully completed its first jewellery transaction and considers that it will be one of the major business segments of the Group in the future.

#### **Construction and Structural Steel Engineering**

The Construction and Structural Steel Engineering sector recorded a revenue of HK\$4.29 million (for the year ended 31 July 2015: HK\$26.70 million) and a gain of HK\$0.70 million (for the year ended 31 July 2015: loss of HK\$8.52 million) for the five months ended 31 December 2015. After strong growth in the civil engineering construction industry in Hong Kong in previous years, such growth continue to slow down recently due to surging costs. The Group will keep on looking for new projects and means to mitigate the surging cost including improved design and construction method. Attention is drawn to the Company's announcement dated 16 October 2015 regarding a disclosable transaction related to this sector.

## **Marine Engineering**

The Marine Engineering sector recorded a revenue of HK\$17.37 million (for the year ended 31 July 2015: HK\$62.34 million) and a loss of HK\$21.71 million (for the year ended 31 July 2015: loss of HK\$29.21 million) for the five months ended 31 December 2015. The Group continues to focus on the marine engineering sector in Hong Kong and will keep on looking for new projects in 2016.

## **Sales of Vessels**

There was no revenue derived from the Sales of Vessels for the five months ended 31 December 2015 (for the year ended 31 July 2015: Nil). In the light of the forthcoming mega-infrastructure projects to be rolled out, the demand of specialized vessels and marine equipments will come and the management continues to explore opportunities in the vessel trade sector in the future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group raised funds through placing and open offer of new shares during the five months ended 31 December 2015 and the detailed of net proceeds and usage are as below:

On 6 October 2015, the Company completed the placing of 55,023,081 new shares to independent third parties, at the price of HK\$2.50 per new share pursuant to the terms and conditions of the placing agreement dated 15 September 2015. The net proceeds from the placing is approximately HK\$135 million for general working capital and settlement of certain liabilities of the Group.

On 2 November 2015, the Company proposed to raise approximately HK\$420.39 million before expenses by issuing 135,610,257 offer shares (“Offer Shares”) at the price of HK\$3.10 per Offer Share on the basis of 2 Offer Shares for every 5 existing shares of the Company in issue held on 20 November 2015 (the “Open Offer”) and payable in full on application. The estimated net proceeds of the Open Offer is approximately HK\$418.24 million.

The Company intends to apply such net proceeds from the Open Offer (i) approximately HK\$48 million to repay loans; (ii) approximately HK\$80 million for the development of online market for art and collections, including capital expenditure of core technology software and hardware and operational working capital; (iii) approximately HK\$108 million for acquisition of inventory for the online market platform, including old coin and Mao Tai Wine; approximately HK\$36 million for the expansion of the operation scale of the Group; and (iv) the remaining for potential strategic partnership, vertical and horizontal acquisition opportunities which may create synergies for its art and cultural related business. The Open Offer was completed on 9 December 2015.

As at 31 December 2015, total indebtedness balance of the Group was HK\$76.20 million (31 July 2015: HK\$141.78 million). The finance costs increased to HK\$1.18 million (31 July 2015: HK\$0.83 million). At the financial period end, bank and cash balances totalled HK\$531.90 million, as compared with HK\$81.96 million of the Group last year. The deposit in foreign currencies are mainly for the operation and projects in Singapore and the PRC.

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, decreased to 10.86% (31 July 2015: 60.77%).

## **EXPOSURE OF FOREIGN EXCHANGE**

The Group's assets and liabilities are mainly dominated in Hong Kong Dollars, Renminbi and Singapore Dollars. Income and expenses derived from the operations in the PRC are mainly dominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

## **EVENTS AFTER THE REPORTING PERIOD**

- (1) On 27 January 2016, the Company announced that a wholly owned subsidiary of the Company entered into a memorandum of understanding in respect to a possible acquisition of 100% of the equity interests in a to-be set up subsidiary (the "Target Company") wholly-owned by 西安大唐西市置業有限公司 ("DTXS Property"), a subsidiary of the Company's ultimate controlling shareholder, DTXS Investment. The Target Company will be established to hold a property ("Property") which refers to the property interests located and rebuilt at the original site of the West Market, now the Tang West Market, and is at the middle section of the Silk Road Cultural Street, a unique cultural pedestrian street developed by the DTXS Property, with a total gross floor area of approximately 3,862.95 square meters. With the strategic location of the Property which possesses cultural value, the Group will be in the best position to develop and capitalized on the strong cultural business background of our controller shareholder. Details of the proposed acquisition can be referred to the Company's announcement on 27 January 2016.
- (2) On 28 January 2016, the Company granted share options to certain eligible participants to subscribe for a total of 15,500,000 ordinary shares of HK\$0.5 each in the capital of the Company, under the share option scheme adopted by the Company on 6 December 2012. Details of the grant of share options can be referred to the announcement made on 28 January 2016.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2015, other than outsourcing vendors but including contract workers, the Group has approximately 80 technical and working staff in Hong Kong, Singapore and the PRC. Total staff costs of the Group, excluding contract workers, amounted to HK\$12.00 million for the five months ended 31 December 2015, as compared with HK\$26.20 million for the year ended 31 July 2015.

There was no material change to the staff policy during the five months ended 31 December 2015. 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. The emoluments of the Directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the five months ended 31 December 2015 (for the year ended 31 July 2015: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the five months ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

For the five months ended 31 December 2015, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board will continue review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Cheng Yuk Wo, Mrs. Law Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec. Mr. Cheng Yuk Wo is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the audited consolidated financial statements of the Group for the five months ended 31 December 2015 including the accounting principles and practices adopted by the Group, the internal control and financial reporting matters during the review. The consolidated financial statements have been audited by the Company's auditor Crowe Horwath (HK) CPA Limited, and they have issued an unqualified opinion.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the Model Code for the five months ended 31 December 2015.

#### **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on 2 June 2016. The notice of the annual general meeting will be published and despatched to the shareholders of the Company in due course.

#### **PUBLICATION OF FINAL RESULTS AND 2015 ANNUAL REPORT ON WEBSITES**

This announcement is published on the websites of Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.dtxs.com](http://www.dtxs.com)) respectively in due course. The 2015 annual report of the Company will be despatched to the shareholders and available on the above websites in due course.

By Order of the Board  
**DTXS Silk Road Investment Holdings  
Company Limited**  
**Wong Kwok Tung Gordon Allan**  
*Executive Director (Chief Executive Officer)*

Hong Kong, 30 March 2016

As at the date of this announcement, the directors of the Company are:

*Executive directors:*

Mr. Lu Jianzhong (*Chairman*)

Mr. Wong Kwok Tung Gordon Allan (*Chief executive officer*)

Mr. Yang Xingwen

*Non-executive directors:*

Mr. Wang Shi

Mr. Jean-Guy Carrier

Mr. Tse Yung Hoi

*Independent non-executive directors:*

Mr. Cheng Yuk Wo

Mrs. Law Fan Chiu Fun, Fanny

Mr. Tsui Yiu Wa, Alec