

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Board”) of DTXS Silk Road Investment Holdings Company Limited (the “Company”) announces the annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE			
Revenue from contracts with customers	5	1,096,684	65,822
Interest income from advances to consignors	5	34,884	39,158
Gross rental income	5	2,696	2,424
		1,134,264	107,404
Other income	6	12,157	10,788
Costs of inventories sold		(579,281)	(28,147)
Auction and related services costs		—	(3,978)
Staff costs	7(a)	(35,016)	(43,837)
Depreciation and amortisation expenses	7(b)	(11,485)	(16,984)
Other operating expenses		(24,204)	(22,935)
Impairment of trade and other receivables		(17,002)	(31,992)
Impairment loss on goodwill		(24,940)	—
Other gains and losses	8	(39,912)	2,944
Finance costs	9	(17,091)	(1,783)

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT (LOSS) BEFORE TAX	7	397,490	(28,520)
Income tax expenses	10	<u>(211,071)</u>	<u>(5,845)</u>
PROFIT (LOSS) FOR THE YEAR		<u>186,419</u>	<u>(34,365)</u>
OTHER COMPREHENSIVE (EXPENSES) INCOME			
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>(56,739)</u>	<u>17,374</u>
OTHER COMPREHENSIVE (EXPENSES) INCOME FOR THE YEAR, NET OF TAX		<u>(56,739)</u>	<u>17,374</u>
TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE YEAR		<u>129,680</u>	<u>(16,991)</u>
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		106,448	(33,656)
Non-controlling interests		<u>79,971</u>	<u>(709)</u>
		<u>186,419</u>	<u>(34,365)</u>
TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		57,745	(18,367)
Non-controlling interests		<u>71,935</u>	<u>1,376</u>
		<u>129,680</u>	<u>(16,991)</u>
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	12	<u>HK15.95 cents</u>	<u>HK(5.04) cents</u>
Diluted		<u>HK15.95 cents</u>	<u>HK(5.04) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		94,225	109,750
Investment properties		43,012	47,736
Intangible assets		63,229	73,439
Goodwill		105,642	141,207
Financial assets at fair value through profit or loss		7,131	7,711
Deferred tax assets		41,612	18,349
Properties under development		25,845	22,802
		<u>380,696</u>	<u>420,994</u>
CURRENT ASSETS			
Properties under development		741,563	1,775,340
Completed properties held for sale		786,114	168,607
Inventories		33,074	43,554
Financial assets at fair value through profit or loss		31	960
Trade and other receivables	13	1,507,688	1,189,828
Loans receivables		6,500	13,000
Restricted bank deposits		2,589	2,668
Cash and cash equivalents		102,812	28,124
		<u>3,180,371</u>	<u>3,222,081</u>
CURRENT LIABILITIES			
Trade and other payables	14	352,755	645,911
Interest-bearing borrowings		695,971	268,121
Bond payables		1,200	500
Tax liabilities		316,171	92,102
		<u>1,366,097</u>	<u>1,006,634</u>
NET CURRENT ASSETS		<u>1,814,274</u>	<u>2,215,447</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,194,970</u>	<u>2,636,441</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		823,299	1,390,941
Other payables	<i>14</i>	1,268	2,913
Deferred tax liabilities		15,807	18,360
		<u>840,374</u>	<u>1,412,214</u>
NET ASSETS		<u>1,354,596</u>	<u>1,224,227</u>
CAPITAL AND RESERVES			
Share capital		333,763	333,763
Reserves		873,328	813,801
Equity attributable to equity holders of the Company		1,207,091	1,147,564
Non-controlling interests		147,505	76,663
TOTAL EQUITY		<u>1,354,596</u>	<u>1,224,227</u>

NOTES

1. GENERAL

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 registered office of the Company is located at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and its principal place of business is located at Room 3615–16, 36/F, Cosco Tower, 183 Queen’s Road, Central, Sheung Wan, Hong Kong.

The immediate holding company of the Company is Da Tang Xi Shi International Holdings Limited, which is established in the British Virgin Islands, and the ultimate holding company of the Company is 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*), which is established in the People’s Republic of China (the “PRC”).

* *For identification purpose only*

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in fulfilling the payment obligations. In particular, the Group has taken into consideration of the banks and other lenders in regards of the interest-bearing borrowings would not request for repayment earlier than the repayment schedule of the respective agreements.

These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, unlisted equity investment and listed equity securities, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand, unless otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 16	<i>Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Annual Improvements to HKFRSs	<i>2018–2020 Cycle</i>

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project — 2018–2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent — i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the “10 per cent” test for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

4. 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.

Based on risks and returns and the Group’s internal financial reporting, the CODM consider that the operating segments of the Group comprise:

- 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 properties investment and development business

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Segment results

During the years ended 31 December 2022 and 2021, 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 segment 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, gain on trading of listed equity securities, unrealised fair value loss/gain on listed equity securities, and certain finance costs.

	Arts and Cultural Division		Winery and Trading Division		Property Development Division		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (Note 5)								
Revenue from external customers								
— Revenue from contracts with customers under HKFRS 15	21	7,499	6,563	9,869	1,090,100	48,454	1,096,684	65,822
— Interest income from advances to consignors	34,884	39,158	—	—	—	—	34,884	39,158
— Gross rental income from investment properties:								
Operating leases — with fixed lease payments	2,696	2,424	—	—	—	—	2,696	2,424
Revenue	<u>37,601</u>	<u>49,081</u>	<u>6,563</u>	<u>9,869</u>	<u>1,090,100</u>	<u>48,454</u>	<u>1,134,264</u>	<u>107,404</u>
Segment results*	<u>(29,890)</u>	<u>23,603</u>	<u>(9,557)</u>	<u>(29,008)</u>	<u>479,465</u>	<u>4,765</u>	<u>440,018</u>	<u>(640)</u>
<i>Reconciliation:</i>								
Unallocated other income							2,201	1,601
Unallocated other gains and losses							(17,908)	2,981
Unallocated corporate and other expenses							(26,821)	(32,462)
Profit (Loss) before tax for the year							<u>397,490</u>	<u>(28,520)</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 years ended 31 December 2022 and 2021; and (ii) the Group's property, plant and equipment, investment properties, intangible assets, goodwill and properties under development ("Specified Non-Current Assets") at 31 December 2022 and 2021. The geographical location of customers is based on the location at which services were provided and goods were delivered and title has been 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 goodwill and intangible assets is based on the location of the respective business operations.

	Revenue from external customers		Specified Non-Current Assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	29,928	31,761	2,870	6,594
Mainland China	1,102,828	75,022	311,477	368,911
France	1,508	621	17,606	19,429
	<u>1,134,264</u>	<u>107,404</u>	<u>331,953</u>	<u>394,934</u>

(c) Information about major customers

Revenue from each major customer which accounted for 10% or more of the total revenue of the Group for the corresponding years is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Property Development Division		
Customer A	571,897	—
Customer B	175,355	—
Customer C	124,148	—
Customer D	<u>123,896</u>	<u>—</u>

5. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from contracts with customers under HKFRS 15</i>		
Sale of merchandises and wines	6,563	9,869
Sale of properties	1,090,100	48,454
Auction and related services	21	7,499
	<u>1,096,684</u>	<u>65,822</u>
<i>Revenue from other sources</i>		
Interest income from advances to consignors	34,884	39,158
Gross rental income from investment properties: Operating leases — with fixed lease payments	2,696	2,424
	<u>37,580</u>	<u>41,582</u>
Total revenue	<u>1,134,264</u>	<u>107,404</u>

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	178	71
Government grants	352	35
Gross rental income from completed properties held for sale	8,741	6,051
Interest income from loans receivables	2,671	4,206
Sundry income	215	425
	<u>12,157</u>	<u>10,788</u>

7. PROFIT (LOSS) BEFORE TAX

Profit (Loss) before tax has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Staff costs (including the directors' remuneration)		
Salaries, bonus, allowances and other benefits in kind	31,321	38,321
Contributions to defined contribution retirement plans	3,463	2,901
Share-based payment expenses	232	2,615
	<u>35,016</u>	<u>43,837</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	2,123	3,266
Less: Amount included in inventory overheads	(600)	(1,010)
	<u>1,523</u>	<u>2,256</u>
Depreciation of right-of-use assets	5,138	8,233
Amortisation of intangible assets	4,824	6,495
	<u>11,485</u>	<u>16,984</u>
(c) Other items (included in other operating expenses)		
Auditor's remuneration	1,680	1,550
Legal and professional fees	6,428	4,541
Secretarial and registration fees	669	824
Lease payments not included in the measurement of lease liabilities	299	268
	<u>299</u>	<u>268</u>

8. OTHER GAINS AND LOSSES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Write off of interest receivables from art financing business	<i>13(b)(i)</i>	(3,599)	—
Impairment of loans receivables		(6,500)	—
Loss on deregistration of a subsidiary		(592)	—
Write down of inventories		(10,046)	—
Foreign exchange differences, net		(17,080)	6,636
Gain on trading of listed equity securities		—	244
Unrealised fair value (losses) gains on listed equity securities		(929)	161
Fair value loss on investment properties		(1,166)	(4,097)
		<u>(39,912)</u>	<u>2,944</u>

9. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	234	185
Interest on bond payables	225	77
Interest on interest-bearing borrowings	<u>108,405</u>	<u>73,248</u>
Total borrowing costs	108,864	73,510
Less: Borrowing costs capitalised into properties under development	<u>(91,773)</u>	<u>(71,727)</u>
	<u><u>17,091</u></u>	<u><u>1,783</u></u>

10. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2022 except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

The Group's entities established in the PRC are subject to Enterprise Income Tax ("EIT") of the PRC at a statutory rate of 25% (2021: 25%) for the year ended 31 December 2022.

The PRC land appreciation tax ("LAT") was provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	<u>564</u>	<u>180</u>
PRC EIT		
Current year	114,884	1,338
Overprovision in prior years	<u>(10)</u>	<u>(1,234)</u>
	<u>114,874</u>	<u>104</u>
PRC LAT	<u>122,220</u>	<u>9,159</u>
Deferred tax	237,658 <u>(26,587)</u>	9,443 <u>(3,598)</u>
Income tax expenses	<u>211,071</u>	<u>5,845</u>

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since 31 December 2022 (2021: Nil).

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

The calculation of the basic earnings (loss) per share is based on the profit (loss) for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 667,525,230 in issue during the years ended 31 December 2022 and 2021.

For the year ended 31 December 2022, the calculation of the diluted earnings per share (2021: diluted loss per share) was based on the profit for the year (2021: loss for the year) attributable to equity holders of the Company. Diluted earnings per share is same as the basic earnings per share as the exercise prices of the outstanding share options were higher than the share price of the Company's ordinary shares for the year ended 31 December 2022. Diluted loss per share is the same as the basic loss per share as the potential new ordinary shares have an anti-dilutive effect on the basic loss per share for the year ended 31 December 2021. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years, as used in the basic earnings (loss) per share calculation, and the weighted average number of ordinary shares is assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings (loss) per share attributable to equity holders of the Company is based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings (Loss):		
Profit (loss) for the year attributable to equity holders of the Company, used in the basic and diluted earnings (loss) per share calculation	<u>106,448</u>	<u>(33,656)</u>
	Number of shares	
	2022	2021
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings (loss) per share calculation	<u>667,525,230</u>	<u>667,525,230</u>

13. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables			
— Receivables from customers		138,662	33,403
— Interest receivables		110,795	87,150
Loss allowances		<u>(27,322)</u>	<u>(18,119)</u>
	<i>(a)</i>	<u>222,135</u>	<u>102,434</u>
Other receivables		1,310,325	1,105,223
Loss allowances		<u>(24,772)</u>	<u>(17,829)</u>
	<i>(b)</i>	<u>1,285,553</u>	<u>1,087,394</u>
		<u>1,507,688</u>	<u>1,189,828</u>

(a) Trade receivables

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unbilled (<i>Note</i>)	121,156	6,878
0–30 days	8,542	12,426
31–90 days	936	3,131
91–180 days	12,194	13,898
181–360 days	14,904	19,530
Over 360 days	64,403	46,571
	<u>222,135</u>	<u>102,434</u>

Note:

The unbilled trade receivables balance as at 31 December 2022 mainly represented the receivables from sales of properties during the year ended 31 December 2022, which will be billed upon the issuance of property licenses to the customers. Up to the date of this announcement, these receivables are remained unbilled.

(b) Other receivables

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Advances to consignors for art financing business	<i>(i)</i>	407,031	445,867
Interest receivables		6,322	6,680
Other receivables		27,814	22,163
Deposits		2,994	2,541
Prepayments	<i>(ii)</i>	866,164	627,972
Loss allowances		<u>(24,772)</u>	<u>(17,829)</u>
		<u>1,285,553</u>	<u>1,087,394</u>

Notes:

- (i) The balance and related interest receivables included in trade receivables are 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 (2021: 8% to 15%). These advances to consignors for art financing business are generally repayable within a period of 1 year from the draw-down date or 60 days after the pledged auction items are listed in auction.

At 31 December 2021, the net realisable value of the pledged auction items from the consignors, was higher than the carrying amount of any outstanding balances.

During the year ended 31 December 2022, upon the settlement plans negotiated with certain consignors regarding their outstanding balances, in consideration of insolvency of these consignors after settlements of the advance balances, related interest receivables of approximately HK\$3,599,000 were written off during the year ended 31 December 2022.

At 31 December 2022, the net realisable value of the pledged auction items from the consignors, except for those related to the balances with allowance provided, was higher than the carrying amount of the outstanding balances.

Saved as mentioned above, at 31 December 2022, based on the due dates of the respective receivables, approximately 4.9% (2021:1.4%) of the advances were aged over-due 180 days and all the remaining balances were not yet due. No further provision was made on the remaining balances.

- (ii) At 31 December 2022, the balance mainly represents prepayments of construction costs for property development of approximately HK\$784,676,000 (2021: HK\$546,568,000) related to the major construction works commenced in the Mainland China during the year, and prepaid PRC taxes related to construction cost for completed properties held for sale and properties under development in the Mainland China of approximately HK\$78,779,000 (2021: approximately HK\$78,512,000).

14. TRADE AND OTHER PAYABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	(a)	107,287	119,038
Accruals		14,521	12,785
Lease liabilities		2,865	7,218
Interest payables		14,610	3,948
Other payables		199,748	142,568
Deposits received		7,446	7,191
Contract liabilities		6,767	353,951
Receipt in advance		779	2,125
		354,023	648,824
Analysed into:			
— Current portion		352,755	645,911
— Non-current portion		1,268	2,913
		354,023	648,824

Note:

- (a) The trade payables are unsecured, interest-free and repayable within normal operating cycles or on demand. The ageing analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	14,683	13,149
31–90 days	7,818	27,067
91–180 days	9,056	32,933
181–360 days	62,070	15,487
Over 360 days	13,660	30,402
	107,287	119,038

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW, AND PROSPECT

The Group's revenue from continuing operations recorded approximately HK\$1,134.3 million for the year (2021: HK\$107.4 million), representing an increase of approximately 956.1% as compared with 2021. The Group recorded profit of approximately HK\$186.4 million for the year ended 31 December 2022 as compared with a loss of approximately HK\$34.4 million for the year ended 31 December 2021. The increase in revenue and profit for the year ended 31 December 2022 were mainly attributable to increase in sales of properties.

Property Development Division

This division contributed a segment revenue of approximately HK\$1,090.1 million (2021: HK\$48.5 million) and a segment profit before tax of approximately HK\$479.5 million (2021: HK\$4.8 million) for the year ended 31 December 2022. The increase in segment revenue and segment profit before tax were mainly attributed to the sales of properties occurred during the year.

The properties are located in Tang West Market, Lianhu District in Xi'an City, 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 year of 2022, the property sales transactions in relation to the sale of the two commercial buildings and certain commercial area located in the Tang West Market with a total gross floor area of approximately 47,308 square metres were completed. The aggregate consideration for the property sales is approximately Renminbi ("RMB") 933.4 million, equivalent to approximately HK\$1,088.2 million. The sales of properties are transactions of revenue in nature and in the ordinary and usual course of business of the Group. Construction of the podium and shopping area of approximately 50,000 square metres is completed in the current period and has been opened for leasing. The management will be continuously reviewing the status of the leasing result and consider the accounting treatment. The third complex building and the remaining commercial area is well under construction and is expected to be completed by the end of 2024.

Arts and Cultural Division

This division, comprising the auction business and the Art Central Business District (“ACBD”) business, contributed a segment revenue of approximately HK\$37.6 million (2021: HK\$49.1 million), and a segment loss before tax of approximately HK\$29.9 million (2021: segment profit before tax of HK\$23.6 million) for the year ended 31 December 2022.

Due to the outbreak of coronavirus disease 2019 (“COVID-19”), as well as precautionary measures and pandemic prevention policy adopted by Hong Kong and cities in Mainland China, physical auctions and online auction could not be held during the year of 2022, while there were two large physical auctions held in Beijing and Hainan Island and two online auctions held in 2021. The segment loss before tax was mainly attributable to the decrease in commission income received and impairment losses incurred in 2022. Impairment provision has been made on goodwill, amounting to approximately HK\$24.9 million in respect of auction business for the year ended 31 December 2022. The Company had restructured the auction companies and adjusted the marketing strategy in response to the highly challenging environment. The management will be continuously reviewing the performance of the auction business.

Winery and Trading Division

This division, comprising the winery business and trading business, contributed a segment revenue of approximately HK\$6.6 million (2021: HK\$9.9 million), and a segment loss before tax of approximately HK\$9.6 million (2021: HK\$29.0 million) for the year ended 31 December 2022. Such decrease in the loss was mainly due to the allowance for the expected credit losses on receivables of both winery and trading businesses as a result of the challenging economic conditions in 2021.

In 2022, facing the obstacles of COVID-19, the winery business insisted on brand promotion, tasting and other marketing activities to further expand brand influence and popularity, and established agent system in more than 20 provinces including Beijing, Shanghai, Guangdong, Shaanxi, Zhejiang, Jiangsu, Sichuan, Liaoning, Jilin, Hubei, Guangxi, Xinjiang and Ningxia in mainland China, laying a solid foundation for the sustainable development of the winery business. We have created a unique model of French winery production and custom-made service mode in Tianjin bonded warehouses, providing custom-made wines for more than 100 customers. As a result, our wines have won the Grand Gold Medal and Gold Award at the Brussels International Wine and Spirits Competition for many times. The winery business segment will see rapid development in the post-pandemic era.

OUTLOOK

In 2022, external business conditions continued to be affected by the COVID-19 pandemic, in particular, the policy of infection prevention and control of epidemic, number of social gatherings were reduced to avoid cluster infection, thus affecting commission income of auction and the sales of wine. While our property division has reported positive results from the completion of sale of two commercial buildings, the Group has recorded an overall satisfactory outcome for 2022.

Looking forward in 2023, the Group acknowledges the challenges and uncertainties presented by the current state of the global economy. While the Chinese government is making strides towards economic recovery by removing all COVID-related travel restrictions, the management expects improvements to our auction business and sale of wine business. Furthermore, with the completion of the phase one construction of the commercial area in the Tang West Market, leasing activities is going to begin in the second quarter of 2023 and steady rental income is expected be generated in 2023.

For future development, the Group has been endeavouring to explore further means of cooperation, focusing on the growth in the cultural industry by leveraging on the business network and resources of the parent company, and to develop businesses in Hainan Island and Xian around the cultural industries, in particular, participate in the international artwork trading platform, creation and distribution of art collectibles in the form of non-fungible tokens (NFT) and digital artworks (DAW) in both Hong Kong and China, investment in cultural industrial parks and development in cultural tourism.

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 year under review.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group's operations were mainly financed by draw-down of bank borrowings and internal resources.

As at 31 December 2022, the Group's total cash and cash equivalents amounted to approximately HK\$102.8 million, representing an increase of approximately HK\$74.7 million as compared with the bank balances and cash of approximately HK\$28.1 million as at 31 December 2021. The increase was mainly attributable to the sales proceeds received from the sales of properties during the year. As at 31 December 2022, the Group had outstanding secured borrowings of approximately HK\$1,519.3 million (2021: HK\$1,659.1 million) and is repayable within one year to two years (2021: within one year to three years).

GEARING

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to equity holders of the Company. Net debt includes total borrowings less cash and cash equivalents. The gearing ratio of the Group was approximately 117.3% as at 31 December 2022 (2021: 142.1%).

SUBSEQUENT EVENT

There were no significant events after the year ended 31 December 2022 and up to the date of this announcement.

FOREIGN EXCHANGE EXPOSURE

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) using exchange rates prevailing at 31 December 2022. Income and expense items are translated at the average exchange rates for the year ended 31 December 2022. Exchange loss arising from the translation of foreign operations of approximately HK\$56.7 million (2021: gain of HK\$17.4 million) for the year ended 31 December 2022 are recognised in other comprehensive income and accumulated in equity under the heading of "exchange differences on translation of foreign operations".

On the disposal of a foreign operation involving loss of control over a subsidiary that includes a foreign operation, the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

HUMAN RESOURCES

As at 31 December 2022, other than outsourcing vendors but including contract workers, the Group has approximately 107 employees (2021: 109) in Hong Kong, the PRC and France. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

As at 31 December 2022, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$0.9 million (2021: HK\$2.4 million); and (ii) guarantees to banks in respect of loans provided by the banks to the customers from property development division and to a related party in the aggregate amount of approximately HK\$437.1 million (2021: HK\$537.4 million).

CAPITAL COMMITMENT

As at 31 December 2022, the Group has capital commitments amounted to approximately HK\$725.1 million (2021: HK\$870.8 million).

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2022 (2021: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Throughout the year under review, the Company has complied with the code provisions (the “Code”) 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules 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 of the Company, who confirmed their compliance with the required standards as set out in the Model Code for the year ended 31 December 2022.

AUDIT COMMITTEE

The Company established the audit committee (“Audit Committee”) to review and supervise the financial reporting process, risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three members who are all independent non-executive directors of the Company. The Group’s annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS FOR 2023 AGM

The annual general meeting of the Company will be held on Tuesday, 30 May 2023 (the "2023 AGM"). For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Thursday, 25 May 2023 to Tuesday, 30 May 2023 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Wednesday, 24 May 2023.

2022 ANNUAL REPORT

The 2022 annual 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 Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
DTXS Silk Road Investment Holdings Company Limited
Lu Jianzhong
Chairman

Hong Kong, 31 March 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 Nonexecutive Directors, namely Mr. Tsang Yok Sing, Jasper, Mr. Tse Yung Hoi and Mr. Kwok Chi Shing.