ANNUAL
REPORT
2023

大唐西市
DA TANG XI SHI

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)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lu Jianzhong *(Chairman)*
Mr. Yang Xingwen
Mr. Huang Dahai
Mr. Wong Kwok Tung Gordon Allan
(Co-Chief Executive Officer)
(Re-designated on 1 February 2023)
Mr. Sun Liming *(Co-Chief Executive Officer)*
(appointed on 1 February 2023 and resigned on 15 January 2024)
Dr. Xu Zhihong *(Executive Vice-chairman)*
(resigned on 1 February 2023)

Independent Non-executive Directors
Mr. Kwok Chi Shing
Prof. Wang Guiguo (appointed on 1 December 2023)
Ms. Hau Amy Wing Gee
(appointed on 1 December 2023)
Mr. Tsang Yok Sing, Jasper
(tenure expired on 31 August 2023)
Mr. Tse Yung Hoi (resigned on 30 September 2023)

AUDIT COMMITTEE

Mr. Kwok Chi Shing *(Chairman)*
Prof. Wang Guiguo (appointed on 1 December 2023)
Ms. Hau Amy Wing Gee
(appointed on 1 December 2023)
Mr. Tsang Yok Sing, Jasper
(tenure expired on 31 August 2023)
Mr. Tse Yung Hoi (resigned on 30 September 2023)

NOMINATION COMMITTEE

Mr. Lu Jianzhong *(Chairman)*
Mr. Kwok Chi Shing
Ms. Hau Amy Wing Gee
(appointed on 1 December 2023)
Mr. Tse Yung Hoi (resigned on 30 September 2023)

REMUNERATION COMMITTEE

Prof. Wang Guiguo *(Chairman)*
(appointed on 1 December 2023)
Mr. Kwok Chi Shing
Mr. Huang Dahai
Mr. Tse Yung Hoi *(Chairman)*
(resigned on 30 September 2023)

INVESTMENT COMMITTEE

Mr. Huang Dahai *(Chairman)*
(appointed on 16 January 2024)
Mr. Wong Kwok Tung Gordon Allan
Mr. Yang Xingwen
Mr. Sun Liming *(Chairman)*
(resigned on 15 January 2024)
Dr. Xu Zhihong (resigned on 1 February 2023)

COMPANY SECRETARY

Mr. Wong Hong Tak Hagan
(appointed on 19 June 2023)
Ms. Tsang Ngo Yin (resigned on 31 May 2023)

REGISTERED OFFICE

Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3615–16
36/F Cosco Tower
183 Queen's Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHAR REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM10
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS

Jeffrey Mak Law Firm
Silkroad Law Firm
Anchorite and Sage Law Office (Xian)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
China Construction Bank Hong Kong Branch
CMB Wing Lung Bank

WEBSITE

www.dtxs.com

STOCK CODE

620

Dear Shareholders,

On behalf of the board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report for the year ended 31 December 2023.

Lu Jianzhong
Chairman

"Perseverance is the key to success."

In 2023, amidst the backdrop of a domestic economic downturn, inadequate effective demand, oversupply in certain sectors, and tepid societal expectations, compounded by the complexities of international capital outflows stemming from the Federal Reserve's interest rate hikes, we strategically pivoted towards cultural innovation, technological advancement, and substantial cost reduction to navigate the challenging market environment. Through steadfast dedication, we achieved commendable progress in business operations and development.

Over the past year, our flagship project, the "DTXS Silk Road International Financial Center" advanced smoothly. Several domestic and international financial institutions have since established a presence. Throughout this endeavor, the Group engaged in proactive dialogue with government entities, fostered close collaboration with construction partners, surmounted various obstacles, and ensured the timely progression and high standards of the super high-rise construction of the DTXS Silk Road International Financial Center.

Harnessing the momentum of favorable policies in Hainan, we responded proactively to the calls of both national and local governments. With the ambitious target of "achieving full island closure operation by the end of 2025", we celebrated the third anniversary of the "Hainan International Culture and Artworks Exchange", a venture in artwork investment and trade invested by us. This initiative steadily contributes to Hainan's ambition of becoming a national hub for foreign cultural trade within the Free Trade Port.

The attainment of these milestones owes gratitude to the tireless dedication, selfless commitment, and unwavering devotion of our entire workforce, who share a collective destiny with the Group. Additionally, we extend heartfelt appreciation to all shareholders for their unwavering support.

Chairman's Statement

Any notable man who had left awesome tracks in the history is supposed to not only have God-gifted talents but also unshakable wills. Moving forward, we remain resolute in shouldering responsibilities and fearlessly embracing challenges.

We draw strength from our "unwavering conviction" as we forge ahead amidst the turbulent seas. Despite the temporary setbacks encountered in 2023, we acknowledge the Chinese government's proactive measures in response to adversities such as the Federal Reserve's interest rate hikes. Measures including stabilizing the RMB exchange rate, optimizing foreign exchange reserve structures, bolstering financial regulations, and prioritizing policies to stimulate domestic demand, enhance infrastructure, promote consumption upgrades, and foster innovation, provide a promising landscape for our endeavors in 2024. "Like the sturdy pines standing tall under heavy snow," we unite in resolve, ready to seize opportunities.

With a "strong determination", we leverage our rich historical and cultural heritage to contribute actively to the government's vision of fostering a trillion-level cultural tourism industry cluster. By embracing opportunities for the development of cultural industries and initiatives, we play a pivotal role in scripting a new chapter in China's modernization narrative.

Embracing a spirit of "striving for success", we recognize that innovation is the cornerstone of our development. By boldly confronting challenges and persisting through adversity, we pave the way for a new era of growth and transformation for the DTXS group. Guided by strategic foresight, we lay a robust foundation for the Group's evolution towards high-quality development.

To our esteemed colleagues: "Through cultural innovation, we unlock value, and through industrial prowess, we realize dreams". Success is not a journey paved with ease or fortune but one forged through relentless perseverance, step by step. We remain steadfast in our belief that those who endure hardships and toil diligently will ultimately achieve their aspirations and attain success.

"As the path ahead unfolds with trials and tribulations", let us forge ahead together into the new year of 2024, with renewed vigor and determination!

Lu Jianzhong
Chairman

29 April 2024

FINANCIAL AND BUSINESS REVIEW, AND PROSPECT

The Group's revenue recorded approximately HK$44.5 million for the year (2022: HK$1,134.3 million), representing a decrease of approximately 96% as compared with 2022. The Group recorded loss for the year of approximately HK$358.5 million for the year ended 31 December 2023 as compared with a profit for the year of approximately HK$186.4 million for the year ended 31 December 2022. The decrease in revenue and turnaround from profit into loss for the year ended 31 December 2023 were mainly attributable to decrease in revenue from contracts with customers of HK$1,088.1 million, write down of properties under development and completed properties held for sales of HK$178.6 million and recognition of impairment loss on goodwill of HK$102.6 million, intangible assets of HK$56.8 million and property, plant and equipment of HK$19.5 million.

Property Development Division

This division contributed a segment revenue of approximately HK$6.6 million (2022: HK$1,090.1 million) and a segment loss before tax of approximately HK$184.5 million (2022: segment profit before tax of HK$479.5 million) for the year ended 31 December 2023. The decrease in segment revenue and turnaround from segment profit before tax into segment loss before tax were mainly attributed to no completion of property development project during the year.

The properties are located in Tang West Market, Lianhu District in Xi'an City (the "Tang West Market"), the People's Republic of China (the "PRC"). Based on the current business plan, the properties have been planned to develop into the Silk Road International Culture Center with comprehensive cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street. Silk Road International Culture Center comprises three office buildings, a shopping mall and a five-star hotel. The three office buildings are estimated to have an aggregate gross floor area of approximately 260,000 square metres.

During the year ended 31 December 2023, the projects under development has not yet completed. Therefore, revenue and related costs are not recognized during the year. The Group engaged external professional valuer in assessing the fair value of the properties under development and completed properties held for sale. Write down of properties under development and completed properties held for sale of HK$178.6 million is recognized as the carrying amounts exceeded the fair value of the properties. The presale certificate for the Silk Road International Cultural Center was obtained in October 2023, and already several potential buyers have indicated their interests in the property. It is expected the Silk Road International Cultural Center be completed during 2026.

For the year ended 31 December 2023, all of the consignors in the Group's art financing business are independent third parties of the Company and its connected persons. The consignors are either Hong Kong or the PRC residents or companies with business operations in Hong Kong and/or the PRC. As at 31 December 2023, the carrying value of the advances to consignors (after impairment allowance) from art financing business of Group amounted to approximately HK$392,216,000 (after impairment allowance) (2022: HK$404,323,000) with details as follows:

Category of consignors	Approximate weighting to the carrying amount of the Group's advances portfolio	Interest rate per annum	Maturity
Corporate	70%	8%–12%	Matured or within one year
Individual	30%	8%–15%	Matured or within one year
	100%		

As at 31 December 2023, 100% (2022: 100%) of the carrying amount of the advances to consignors (after impairment allowance) was secured by collaterals. At the year end, advances to consignors either have matured or mature within one year, and the advances made to the largest consignor and the five highest consignors accounted for 12% and 54% respectively of the Group's advance portfolio (on a net of impairment allowance basis). The five largest consignors comprised of four corporations and one individual.

The following is a summary of the key internal controls of the Group's art financing business operation:

1. **Due diligence**
   Identity check and financial background check on the consignor will be performed. Information provided by the consignor including identity, financial statements and asset proof of the applicant will be checked and verified by the responsible art and cultural officer, where appropriate, company, legal, credit search on the consignor and physical inspection on the pledged items as collateral, will be conducted.

2. **Credit appraisal**
   Detailed assessment on the credit history and financial background of the consignor, as well as the value and nature of the collateral to be pledged, will be conducted. There will be credit assessment including analysis on the repayment ability and credit history of the consignor, and analysis on the potential recovery from realisation of the collaterals. The credit assessment process will be conducted by the responsible art and cultural officer and reviewed by the responsible art and cultural manager.

3. **Proper execution of documentations**
   For art financing application recommended by the responsible art and cultural manager and duly approved by the board of directors of the Group's art financing subsidiary, the responsible art and cultural officer will arrange preparation and proper execution of the art financing documentations under the supervision of the responsible art and cultural manager.

4. **Continuous monitoring**
   There is continuous monitoring on the repayments from consignors and extension of advances. Art and cultural team will regularly check and communicate with the consignors regarding the consignors' financial position and the market values of the collaterals pledged. Additional collaterals may be requested from the consignors when performing credit assessment for the contracts extension. Legal demand letter will be issued to the consignors if there is an overdue payment. Where appropriate, legal action will be commenced against the consignors for recovery of the amount due and taking possession of the collateral pledged.

Arts and Cultural Division

This division, comprising the auction business and Art Central Business District business ("ACBD Business"), contributed a segment revenue of approximately HK$35.9 million (2022: HK$37.6 million) and a segment loss before tax of approximately HK$164.3 million (2022: HK$29.9 million) for the year ended 31 December 2023.

Auction Business

During the year ended 31 December 2023, due to the uncertainty of the PRC economy, which affected badly on the arts and antique market. The long expected art market rebound did not accompany the reopening of the PRC-Hong Kong border in early 2023, the Company did not host any large scale auction in 2023. The value of the auction business is largely affected. Therefore, the Company took a conservative approach and recognized full impairment loss on the goodwill and intangible assets acquired in 2016. The management will continue monitoring the market condition and sentiment on the arts and antique market. Once there is sign on recovery, we will resume hosting large scale auction.

ACBD Business

The Company has established an ACBD center in Xi'an. The main business functions of the center is to provide a venue with integrated functions such as storage, exhibition, auction, promotion and trading of arts and collections. The center aims to create a strong network with other art and culture partners for hosting events and building relationship. Also, the center is expected to create a synergy effect with the operations of Silk Road International Culture Center.

Winery and Trading Division

This division, comprising the winery business and trading business, contributed a segment revenue of approximately HK$2.0 million (2022: HK$6.6 million), and a segment loss before tax of approximately HK$5.2 million (2022: HK$9.6 million) for the year ended 31 December 2023.

During the year, we have made certain restructurings to the business operation of this division, including moving the main operation to Xian, in order to improve the efficiency and better costs control measures, as well as enjoying more incentives from the local government. In March 2024, the Group disposed its winery located in France and redeployed the financial resources and effort in other parts of the Group's businesses.

OUTLOOK

The economic recovery in the PRC is underway and is still facing certain uncertainties in the short term, in particular, the traditional Chinese economy remains under huge pressure. However, we believe the fundamentals of China economy remain strong. The Chinese government is making huge efforts to improve the situation. We believe there will be a rebound and recovery of the arts and cultural market soon. The management will continue to take a conservative approach, and focusing our existing business, including the construction, sales and leasing of the Silk Road International Cultural Center.

Management Discussion and Analysis

The overall economy in the PRC is under a transformation, noticeably from the traditional economy to the new economy and technology. We will continue to explore on the development of this new economy (digital technology) around the Arts and Cultural Industry, and leveraging on the strong parent group background, in particular the Hainan International Arts and Cultural Trading Centre Company Limited. This include developing, investing and acquiring related businesses when opportunities arise.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, the Company conducted an exercise based on an enterprise risk management framework, to review and update the risks facing by the Group. The Group's key risks and uncertainties are summarised as below:

1. **Strategic Risks**
   - (i) Adverse ad hoc external events and inability to respond to them in time
   - (ii) Risk of downturn in global and Chinese economy as well as fluctuations of financial market environment
   - (iii) Keen market competition in property development and auction

2. **Operation Risks**
   - (i) Failure to complete construction projects on time
   - (ii) Risk of authentication, appraisal and valuation of artworks
   - (iii) Ineffective know-your-client and anti-money-laundering management
   - (iv) Risk of damage or theft for artworks consigned for sale
   - (v) Insufficient data loss prevention mechanism and failure in data retention

3. **Financial Risks**
   - (i) Risk of default or delay payment by customers and/or auction buyers
   - (ii) Failure to fully recover advances to consignors
   - (iii) Inadequate funding and liquidity to the auction business

4. Governance, Compliance and Legal Risks

(i) Failure to obtain necessary control over newly acquired subsidiaries

(ii) Risk of non-compliance with disclosure requirements with the Listing Rules

(iii) Risk of non-compliance with relevant laws and regulations and not able to respond to changes in laws and regulations timely

(iv) Risk of information security and data leakage

In response to the risks mentioned above, the Company has formulated and adopted the risk management policy in providing directions in evaluating and management significant risks. In addition, the Company has engaged an external professional to conduct annual review on the effectiveness of the internal control system of the Group.

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 internal resources.

As at 31 December 2023, the Group's total cash and cash equivalents amounted to approximately HK$23.1 million, representing an decrease of approximately HK$79.7 million as compared with the bank balances and cash of approximately HK$102.8 million as at 31 December 2022. The decrease was mainly attributable to the cash resources consumed in the daily operation during the year. As at 31 December 2023, the Group had outstanding secured borrowings of approximately HK$1,339.5 million (2022: HK$1,519.3 million) and is repayable within one year to three years (2022: within one year to two years).

GEARING

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to equity holders of the Company. Net debt includes total borrowings less cash and cash equivalents. The gearing ratio of the Group was approximately 148.3% as at 31 December 2023 (2022: 117.3%).

SUBSEQUENT EVENT

Save as disclosed in Note 47 events after the reporting period on page 137, there were no significant events after the year ended 31 December 2023 and up to the date of this annual report.

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 2023. Income and expense items are translated at the average exchange rates for the year ended 31 December 2023. Exchange loss arising from the translation of foreign operations of approximately HK$19.9 million (2022: HK$56.7 million) for the year ended 31 December 2023 are recognised in other comprehensive income and accumulated in equity under the heading of "exchange differences on translation of foreign operations".

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

HUMAN RESOURCES

As at 31 December 2023, other than outsourcing vendors but including contract workers, the Group has approximately 94 employees (2022: 107) in Hong Kong, the PRC and France. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

As at 31 December 2023, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK$20,000 (2022: HK$0.9 million); and (ii) guarantees to banks in respect of loans provided by the banks to the customers from property development division and to a related party in the aggregate amount of approximately HK$359.7 million (2022: HK$437.1 million).

CAPITAL COMMITMENT

As at 31 December 2023, the Group has capital commitments amounted to approximately HK$507.3 million (2022: HK$725.1 million).

DIRECTORS

Executive Directors

Mr. Lu Jianzhong ("Mr. Lu"), aged 60, was appointed as the chairman and an executive director of the Company on 8 December 2015, and the chairman of the nomination committee of the Company on 30 March 2017. Mr. Lu graduated from Northwestern Polytechnical University (西北工業大學) with a Master in Industrial Engineering. He is the founding chairman and director of Da Tang Xi Shi Investments Group Limited* (大唐西市文化產業投資集團有限公司) ("DTXS Investment"), the ultimate controlling shareholder of the Company.

Mr. Lu is also the 13th National People's Congress, the member of the 10th, 11th and 12th Chinese People's Political Consultative Conference, the chairman of the Silk Road Chamber of International Commerce (絲綢之路國際總商會), the president of Non state Museums Committee of Chinese Museums Association (中國博物館協會非國有博物館專業委員會), and the vice president of Chinese Association for International Understanding (中國國際交流協會) and China Chamber of International Commerce (中國國際商會).

Mr. Lu has been awarded "The Third Session of National Outstanding Builders of the Socialism with Chinese Characteristic" (全國第三屆優秀中國特色社會主義事業建設者); "Annual Outstanding Individual of China Cultural Heritage Protection" (薪火相傳 — 中國文化遺產保護年度傑出人物); "Chinese Culture Leading Figure" (中華文化人物); "Annual Leading Figure of Chinese People" (中華兒女年度人物); "Top Ten Leading Figure of China Private Enterprises" (中國民營企業十大人物); "The Outstanding Shaanxi Businessman" (全球秦商風雲人物); and "Annual Leading Figure of Culture Industry in 2013" (2013中國文化產業年度人物).

Mr. Yang Xingwen ("Mr. Yang"), aged 61, was appointed as an executive director of the Company on 8 December 2015. He was appointed as a member of investment committee of the Company on 26 June 2020. Mr. Yang graduated from Beijing Language and Literature Self-Study University (北京語言文學自修大學), with an associate degree in literature. He also studied at the Central Party School Correspondence College (中央黨校函授學院), majoring in economics, and obtained the professional title of economist. Mr. Yang has extensive financial and accounting experience, he is currently serving as the vice chairman of DTXS Investment and is in-charging of all financial matters of DTXS Investment and its subsidiaries. He is also a shareholder of DTXS Investment. Mr. Yang began his career in Shaanxi province and previously held offices at Shaanxi Jia Xin Industry Group Company Limited* (陝西佳鑫實業集團有限公司).

Mr. Huang Dahai ("Mr. Huang"), aged 61, was appointed as an executive director and a member of the remuneration committee of the Company on 10 November 2022. He focus on establishing the development plan and operating strategies to facilitate the achievement of goals of the Group.

Mr. Huang obtained a postgraduate degree in finance from the School of Economics and Finance of Xi'an Jiaotong University* (西安交通大學) in the People's Republic of China, which was formerly known as Shannxi Institute of Finance and Economics* (陝西財經學院). He has a senior economist qualification* (高級經濟師資格) granted by the China Construction Bank* (中國建設銀行). Mr. Huang has been re-designated as a Vice-president of Da Tang Xi Shi Investment Group Limited* (大唐西市文化產業投資集團有限公司) in October 2022. He was the Assistant to the Chairman of the Board of Directors of Da Tang Xi Shi Investment Group Limited* (大唐西市文化產業投資集團有限公司) from June 2018 to October 2022, and was the President of Da Tang Xi Shi Financial Holding Company* (大唐西市金融控股公司) from July 2017 to June 2022. He has over 30 years of professional experience in the financial field. He held various positions in the group of China Construction Bank Corporation, mainly including the general manager of the investment banking department of the Shaanxi branch, the deputy director of the real estate credit department of the Shannxi branch, the deputy president of the Xi'an sub-branch, and the deputy general manager of a technology venture company. Mr. Huang was awarded the National Financial May 1st Labor Medal (全國金融五一勞動獎章) by the National Committee of China Financial Union* (中國金融工會全國委員會).

Mr. Wong Kwok Tung Gordon Allan ("Mr. Wong"), aged 49, was appointed as an executive director of the Company on 29 July 2015 and the chief executive officer and a member of the remuneration committee of the Company on 2 November 2015. He was appointed as a member of investment committee of the Company on 26 June 2020. He was previously re-designated from the chief executive officer to the deputy chief executive officer of the Company on 7 August 2017 and resigned as a member of the remuneration committee of the Company on 28 March 2018. Mr. Wong has been re-designated from the deputy chief executive officer to co-chief chief executive officer of the Company on 1 February 2023. Mr. Wong has extensive financial and accounting experience in various industries, and has previously worked in an accounting firm and an investment bank. He holds a Bachelor degree of commerce from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia.

Independent Non-executive Directors

Mr. Kwok Chi Shing ("Mr. Kwok"), aged 61, was appointed as an independent non-executive director, chairman of audit committee and member of nomination committee and remuneration committee of the Company on 29 May 2020. Mr. Kwok graduated from The University of Aberdeen, the United Kingdom in July 1986 with a master's degree in arts in economics with accountancy. He has been a chartered accountant in Scotland, the United Kingdom since November 1989 when he worked and qualified with the Edinburgh office of KPMG. He has been a certified public accountant, certificate tax advisor and certified financial planner in Hong Kong since January 1991, June 1992 and October 2001 respectively. He became a member of China Mergers & Acquisitions Association in March 2014. He has more than 20 years of experience in audit assurance, cross border taxation and project finance. He is currently the director of LKKC C.P.A. Limited. Mr. Kwok has been a director of Pok Oi Hospital, Hong Kong since 2015 and he was appointed as the founding second vice president of the Lions Club of Hong Kong New Territories West Limited in 2015.

Mr. Kwok is currently an independent non-executive director of Bonjour Holdings Limited (stock code: 0653) and Fantasia Holdings Group Co., Limited (stock code: 1777), which are listed on the Stock Exchange of Hong Kong Limited. He also is an independent non-executive director of ChemPartner PharmaTech Co.,Ltd (stock code: 300149), which is listed on the Shenzhen Stock Exchange. He resigned as an independent non-executive director of Huakang Biomedical Holdings Company Limited (stock code: 8622), Grand Ocean Advanced Resources Company Limited (stock code: 0065), EPS Creative Health Technology Group Limited (stock code: 3860) and Hang Chi Holdings Limited (stock code: 8405) respectively on 1 September 2020, 18 September 2020, 30 June 2021 and 15 August 2022 respectively. Mr. Kwok was an independent non-executive director of Cityneon Holdings Limited, which was listed on the Singapore Exchange Limited until its withdrawal from listing effective on 1 February 2019, up to his resignation in March 2019.

Prof. Wang Guiguo ("Prof. Wang") Prof. Wang, aged 71, was appointed as an Independent Non-executive Director and the chairman of the Remuneration Committee and a member of the Audit Committee of the Company with effect from 1 December 2023.

Prof. Wang is President of Zhejiang University Academy of International Strategy and Law, and University Professor of Law, Zhejiang University, Hangzhou, China; Eason-Weinmann Chair of International and Comparative Law Emeritus, School of Law, Tulane University, New Orleans, USA; President of International Academy of the Belt and Road; Member of the International Commercial Expert Committee of the Supreme People's Court of China; Chair and Member of the International Commercial Expert Committee of the Intermediate People's Court of Suzhou, China; Member of the Academic Committee of the International Commercial Tribunal of the Intermediate People's Court of Wuxi, China.

Prof. Wang worked at City University of Hong Kong for more than 25 years serving as Dean of School of Law, Chair Professor of Chinese and Comparative Law, and Director of the Centre for Judicial Education and Research at different time until 2015 when he left the University, and also worked at School of Law, Tulane University in the United States serving as Eason-Weinmann Chair of International and Comparative Law till 2020. Professor Wang is also Chairman of the Hong Kong WTO Research Institute, Chairman of the National Committee (HK) and Titular Member of the International Academy of Comparative Law, Vice President of the Chinese Society of International Economic Law.

As an experienced arbitrator, Professor Wang is a Committee Member of Beijing Arbitration Commission and Beijing International Arbitration Commission and on the arbitrators' list of China International Economic and Trade Arbitration Commission, Beijing Arbitration Commission, Hong Kong International Arbitration Centre, Panel of Arbitrators of Korean Commercial Arbitration Board, etc.

Prof. Wang, holder of the JSD degree from Yale Law School and LL.M. degree from Columbia Law School, is the first one from the Mainland of China to obtain the JSD degree from Yale Law School since 1949. He is also the first Chinese recipient of the fellowship of the United Nations Institute for Training and Research in 1980, which enabled him to participate in the seminars offered by the International Court of Justice and to study at The Hague Academy of International Law, the United Nations Legal Affairs Office and the World Bank.

Ms. Hau Amy Wing Gee ("Ms. Hau") Ms. Hau, aged 43, was appointed as an Independent Non-executive Director and a member of the Audit Committee and a member of the Nomination Committee of the Company with effect from 1 December 2023.

Ms. Hau has obtained a master's degree in business administration from The University of Hong Kong and a degree in bachelor of arts with specialization in accounting from York University, Canada. Ms. Hau also obtained the FT Non-Executive Director Diploma Asia from Financial Times Board Director Programme. Ms. Hau has over 20 years of experience in financial reporting and operation management. Ms. Hau is currently a Director (Financial Controller and Head of Compliance) at Madison Pacific Trust Limited and is responsible for financial reporting and regulatory compliance. Previously, she was a Director at Animoca Capital, a private equity fund with investment focus in the blockchain space, and was responsible for operation management, regulatory compliance and financial reporting.

SENIOR MANAGEMENT

Mr. Wang Yong, aged 55, was appointed as a deputy chief executive officer of the Company on 1 December 2019. He focuses on business development and operation of the art and cultural division of the Group. He has been the director and vice president of DTXS Investment since 2009. He has been also the chairman of Beijing Phoenixstar International Auction Co., Ltd.* (北京景星麟鳳國際拍賣有限公司) and the chairman and general manager of Beijing Phoenixstar Information Consultancy Company Limited* (北京景星麟鳳資訊諮詢有限公司) since 2016, which is the subsidiaries of the Company, and the director of the art and cultural division of a subsidiary of the Company since 2017.

Mr. Wang Yong is the vice chairman and associate researcher of the committee of Xi'an Tang West Market Museum* (西安大唐西市博物館), the chairman of DTXS International Auction Co., Ltd* (大唐西市國際拍賣有限公司), the secretary-general of Non State Museum Committee of Chinese Museums Association* (中國博物館協會非國有博物館專業委員會), the secretary-general of the Silk Road Committee of Dunhuang-Turfan Society* (中國敦煌吐魯番學會絲綢之路專業委員會), the deputy secretary-general of China Cultural Chamber of Commerce for the Private Sector* (中國民營文化產業商會), the member and deputy secretary-general of the Shaanxi Cultural Relics Committee* (陝西省文物鑒定委員會) and the member of the 13th Xi'an Municipal Committee of the Chinese People's Political Consultative Conference.

Mr. Wang Yong obtained a bachelor's degree from the Faculty of Arts and Culture, Northwest University. He served as deputy director of Xi'an Cultural Relics Protection and Restoration Centre* (西安文物保護修復中心) and the secretary-general and vice dean of Cultural Heritage Protection Planning and Design Institute of Shaanxi Province* (陝西省文化遺產保護規劃設計研究院). He has over 20 years of experience in cultural industry operations, specialized in relic protection management, relic and artwork authentication and art financing and investment.

Mr. Wong Hong Tak Hagan ("Mr. Wong") was appointed as the Company Secretary, the Authorised Representative and the Process Agent of the Company all with effect from 19 June 2023. Mr. Wong was also the Chief Financial Officer of the Group from 19 June 2023 to 30 September 2023. Mr. Wong holds a master degree in business administration from the University of Hong Kong and a bachelor degree in business administration from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial management, project acquisitions, corporate finance activities, company secretarial matters, internal controls and compliance for listed companies in Hong Kong. He also worked in an international accounting firm as an audit manager.

* *For identification purpose only*

The board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") is pleased to present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) auction business and arts and collections related business; (ii) trading business including making and sales of wine; and (iii) properties investment and development. The principal activities and other particulars of the subsidiaries of the Company are set out in Note 17 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the financial year and a discussion on the Group's future business development and outlook of the Company's business, principal risks and uncertainties that the Group may be facing, and important events affecting the Company occurred since the end of the financial year are provided in the section headed "Chairman's Statement" on pages 3 to 4 and the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report. These discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group supports sustainable development by conducting its business in an environmentally responsible manner. It has established a culture of energy saving in business operations and carried out various measures to mitigate its carbon emissions.

Discussions on the Group's environmental policies and performance during the financial year are set out in the "Environmental, Social and Governance Report 2023" published by the Company on 24 May 2024.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the financial year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees are one of the most important assets of the Group and their contribution and support are valuable. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Other fringe benefits, such as employees' provident fund and share options, if applicable, are provided to attract and retain talents helping the Group in success.

The Group maintains effective communications with its customers and strives to satisfy customers' requirements from time to time, in order to provide high quality services to its customers.

The Group establishes co-operative relationships with reputable suppliers within the industries and conducts a fair appraisal of its suppliers on regular intervals.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 45 to 137 of this annual report.

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

DIVIDEND POLICY

The Company has adopted a dividend policy. The Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to any restrictions under the applicable laws and regulations and the bye-laws of the Company (the "Bye-Laws"). The Board will review such policy as appropriate from time to time.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's five largest customers in aggregate was 34% (2022: 96%) of the total revenue of the Group and the largest customer included therein amounted to 7% (2022: 50%).

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate was 30% (2022: 41%) of the total purchases of the Group and the largest supplier included therein amounted to 85% (2022: 28%).

During the financial year, none of the Directors, their close associates or any shareholders of the Company (the "Shareholders") (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) had any interest in the Group's five largest customers or suppliers.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the results by business segments and geographical information for the financial year are set out in Note 6 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial years is set out on page 138 of this annual report. The summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the financial year are set out in Note 34 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 49 and Note 46 to the consolidated financial statements respectively.

NON-CURRENT ASSETS

Details of the Group's other movements in non-current assets (including properties, plant and equipment, investment properties, right-of-use assets, intangible assets, goodwill, financial assets at fair value through profit or loss and properties under development) during the financial year are set out in Notes 18, 19, 20(a), 21, 22, 23 and 24 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in Note 17 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group are set out in Note 31 to the consolidated financial statements.

MAJOR PROPERTY HELD

The following table sets out the particulars of the major property held by the Group for the year ended 31 December 2023:

Location	Approximate gross floor area (sq.m.)	Group's interest (%)	Land use	Leasehold term
1st floor shop section, 5th floor function room section and 6th floor exhibition section, Tang Dynasty West Market Hotel, No. 118 South Labor Road, Lianhu District, Xi'an City, Shanxi Province, the People's Republic of China (the "PRC")	3,408.53	100%	Commercial, hotel catering and exhibition centre and function room	Medium
North of South 2nd Ring Road and the east of Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	2,067.66	69.97%	Residential, retail units and flat and mechanical parking spaces	Medium
No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	20,161.23	69.97%	Residential, retail units and flat and mechanical parking spaces	Medium
No. 118 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	172,266.62	69.97%	Commercial, and exhibition centre	Medium

Directors' Report

DIRECTORS

The directors of the Company (the "Directors") during the financial year and up to the date of this annual report were:

Executive Directors:

Mr. Lu Jianzhong *(Chairman)*
Mr. Yang Xingwen
Mr. Huang Dahai
Mr. Wong Kwok Tung Gordon Allan *(Co-Chief Executive Officer)* (re-designated on 1 February 2023)
Mr. Sun Liming *(Co-Chief Executive Officer)* (appointed on 1 February 2023 and resigned on 15 January 2024)
Dr. Xu Zhihong *(Executive Vice-chairman)* (resigned on 1 February 2023)

Independent Non-executive Directors:

Mr. Kwok Chi Shing
Prof. Wang Guiguo (appointed on 1 December 2023)
Ms. Hau Amy Wing Gee (appointed on 1 December 2023)
Mr. Tse Yung Hoi (resigned on 1 October 2023)
Mr. Tsang Yok Sing, Jasper (tenure expired on 31 August 2023)

Biographical details of the Directors as of the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 14 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers that all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2024 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained Directors and Officers liability insurance that provides appropriate cover for the Directors and the officers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below and in the section headed "Related Party Transactions" in Note 40 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity has or had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the financial year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

Save as disclosed in this Annual Report, none of the Directors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business during the financial year and up to the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares" and "Share Option Scheme", at no time during the financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Interests in shares and underlying shares of the Company

	Number of ordinary shares of HK$0.50 each and nature of interests			Number of share options[4]		
Name of Director	Personal interests	Corporate interests	Number of underlying shares held	Personal interests	Total interests	Approximate percentage of shareholding[5]
Mr. Lu Jianzhong	4,996,000	383,473,032[1,2]	111,187,538[3]	3,500,000	503,156,570	75.38%
Mr. Yang Xingwen	—	—	—	2,500,000	2,500,000	0.37%
Mr. Wong Kwok Tung Gordon Allan	—	—	—	2,500,000	2,500,000	0.37%

Notes:

1. 383,473,032 shares were held by Da Tang Xi Shi International Holdings Limited ("DTXS International Holdings"). DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by Da Tang Xi Shi Investments Group Limited* (大唐西市文化產業投資集團有限公司) ("DTXS Investment"). Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investment, was interested in approximately 50.60% of the issued registered capital of DTXS Investment. As such, Mr. Lu Jianzhong was deemed to be interested in 383,473,032 shares.

2. 339,616,000 shares held by DTXS International Holdings were pledged in favour of the third party lenders as security.

3. 111,187,538 underlying Shares represent the number of option shares that may be sold by Ion Tech Limited ("Ion Tech") as grantee to DTXS International Holdings as grantor pursuant to the exercise of the put option or the triggered put option (as the case may be) pursuant to the put option deed dated 16 July 2019 (the "Put Option Deed").

4. Particulars of share options of the Company are set out in the section headed "Share Option Scheme" in this Directors' Report.

5. The total number of issued shares was 667,525,230 as at 31 December 2023.

* *For identification purpose only*

(b) Interests in shares of DTXS Investment, an associated corporation of the Company

Name of Director	Number of shares	Approximate percentage of issued registered capital of DTXS Investment
Mr. Lu Jianzhong	110,000,000	50.60%
Mr. Yang Xingwen	30,000,000	13.80%

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executives of the Company and any of their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholder	Nature of interests/capacity	Number of ordinary shares of HK$0.50 each[1]	Approximate percentage of shareholding[14]
DTXS International Holdings[2]	Beneficial owner	494,660,570 (L)[12,13]	74.10%
Da Tang Xi Shi International Group Limited[2]	Interests in controlled corporation	494,660,570 (L)[12,13]	74.10%
DTXS Investment[2]	Interests in controlled corporation	494,660,570 (L)[12,13]	74.10%
Ms. Zhu Ronghua[3]	Interests of spouse	503,156,570 (L)	75.38%
Ion Tech	Beneficial owner	111,187,538 (L) 111,187,538 (S)[11]	16.66%
Citiplus Investment Limited[4]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%
New World Development Company Limited[5]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%
Chow Tai Fook Enterprises Limited[6]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%
Chow Tai Fook (Holding) Limited[7]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%
Chow Tai Fook Capital Limited[8]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%
Cheng Yu Tung Family (Holdings II) Limited[9]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%
Cheng Yu Tung Family (Holdings) Limited[10]	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S)[11]	16.66%

Notes:

1. The letters "L" and "S" denote a long position and a short position in the Shares respectively.

2. DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by DTXS Investment, which was owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen.

3. Ms. Zhu Ronghua was deemed to be interested in 503,156,570 shares through the interests held by her spouse, Mr. Lu Jianzhong.

4. Citiplus Investment Limited ("Citiplus") held 100% direct interest in Ion Tech Limited and was accordingly deemed to have an interest in the Shares held by Ion Tech Limited.

5. New World Development Company Limited ("NWD") held 100% direct interest in Citiplus and was accordingly deemed to have an interest in the Shares deemed to be interested by Citiplus.

6. Chow Tai Fook Enterprises Limited ("CTFE"), together with its subsidiaries, held more than one third of the issued shares of NWD and was accordingly deemed to have an interest in the Shares deemed to be interested by NWD.

7. Chow Tai Fook (Holding) Limited ("CTFH") held 100% direct interest in CTFE and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFE.

8. Chow Tai Fook Capital Limited ("CTFC") held approximately 81.03% direct interest in CTFH and accordingly deemed to have an interest in the Shares deemed to be interested by CTFH.

9. Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.

10. Cheng Yu Tung Family (Holdings) Limited ("CYTFH") held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.

11. Ion Tech entered into the subscription agreement dated 16 July 2019 to conditionally subscribe for 111,187,538 Shares, and in connection therewith, DTXS International Holdings conditionally granted a put option to Ion Tech to require DTXS International Holdings to purchase all or part of the option shares pursuant to the Put Option Deed.

12. Comprises 383,473,032 Shares held by DTXS International Holdings and 111,187,538 underlying Shares representing the number of option shares that may be sold by Ion Tech to DTXS International Holdings pursuant to the exercise of the put option or the triggered put option (as the case may be) pursuant to the Put Option Deed.

13. 339,616,000 shares held by DTXS International Holdings were pledged in favour of the third party lenders as security.

14. The total number of issued shares was 667,525,230 as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders on 6 December 2012 (the "2012 Scheme"), which has expired on 5 December 2022. A summary of the principal terms of the 2012 Scheme is set out below:

1.	Purpose:	(i) To recognise and acknowledge the contributions eligible participants had or may have made to the Group; and (ii) to provide eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (a) motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.
2.	Participants:	Eligible participants means (i) any full-time employees of the Group; (ii) any Directors of the Group; (iii) any advisers, consultants, suppliers and agents to the Group; and (iv) such other persons who have contributed to the Group.

3.	Total number of shares available for issue under the 2012 Scheme and percentage of the issued share capital that it represents as at the date of this annual report:	The original maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2012 Scheme was 27,229,248 shares (the "2012 Scheme Mandate Limit"), representing approximately 10% of the issued shares as at 6 December 2012, the date on which an ordinary resolution was passed by the Shareholders to approve the 2012 Scheme. The 2012 Scheme Mandate Limit was refreshed and increased to 47,463,590 shares, representing approximately 10% of the issued shares as at 2 June 2016, the date on which an ordinary resolution was passed by the Shareholders to approve the refreshment of the 2012 Scheme Mandate Limit. The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the 2012 Scheme is 47,463,590 shares (including options to subscribe for 17,750,000 shares that have been granted but not yet lapsed, cancelled or exercised), representing 7.1% of the issued shares of the Company as at the date of this annual report.
4.	Maximum entitlement of each participant:	The total number of shares issued and which may fall to be issued upon exercise of the options granted to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.
5.	Period within which the shares must be taken up under an option:	The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6.	Minimum period for which an option must be held before it can be exercised:	As determined by the Board.
7.	Amount payable on acceptance of an option and the period within which payments shall be made:	HK$1 shall be payable to the Company upon acceptance of the option not later than 30 days after the date of offer.
8.	Basis of determination of the exercise price:	The exercise price shall not be less than the highest of (i) the closing price of the shares as quoted on the Stock Exchange on the date of grant; (ii) the average of the closing prices of the shares as quoted on the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.
9.	Remaining life of the 2012 Scheme:	Valid and effective for a term of 10 years from the date of adoption until 5 December 2022.

The following table sets out the movements of the number of share options granted under the 2012 Scheme during the year ended 31 December 2023 and the outstanding share options at the beginning and end of the year:

Eligible participants		Date of grant	Exercise price per share (HK$)	Exercise Period	Number of share options: At 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2023	Fair value of options at the date of grant during the year and the accounting standard and policy adopted
(a)	**Directors**									
	Mr. Lu Jianzhong	28/01/2016	3.000	28/01/2017 to 27/01/2026	3,500,000	—	—	—	3,500,000	N/A
	Mr. Yang Xingwen	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	—	—	—	2,500,000	N/A
	Mr. Wong Kwok Tung Gordon Allan	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	—	—	—	2,500,000	N/A
	Mr. Tse Yung Hoi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—	N/A
	Sub-total				8,750,000	—	—	250,000	8,500,000	
(b)	**Employees in aggregate**	28/01/2016	3.000	28/01/2017 to 27/01/2026	1,500,000	—	—	—	1,500,000	N/A
		12/04/2021	4.494	03/11/2021 to 11/04/2031	1,000,000	—	—	1,000,000	—	N/A
		01/09/2021	4.494	31/08/2022 to 31/08/2031	1,500,000	—	—	1,500,000	—	N/A
	Sub-total				4,000,000	—	—	2,500,000	1,500,000	
Total					12,750,000	—	—	2,750,000	10,000,000	

Notes:

1. During the reporting period, the number of shares that may be issued in respect of options granted under all schemes of the Company during the reporting period divided by the weighted average number of shares of the relevant class in issue for the same period was approximately 1.7%.

   No service provider sub-limit was set under the Share Option Scheme.

2. Share options granted under the 2012 Scheme on 28 January 2016 shall vest in the grantees in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by each grantee for each grant of options was HK$1.00:

Vesting Date	Percentage of share options to vest
First anniversary of the date of grant	40% of the total number of share options granted
Second anniversary of the date of grant	30% of the total number of share options granted
Third anniversary of the date of grant	30% of the total number of share options granted

3. Share options granted under the 2012 Scheme on 12 April 2021 to the eligible participant other than the director and chief executive of the Company shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK$1.00:

Vesting Date	Percentage of share options to vest
After 2 November 2021	25% of the total number of share options granted
After 2 November 2022	25% of the total number of share options granted
After 2 November 2023	25% of the total number of share options granted
After 2 November 2024	25% of the total number of share options granted

4. Share options granted under the 2012 Scheme on 1 September 2021 to the eligible participant shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK$1.00:

Vesting Date	Percentage of share options to vest
On 31 August 2022	25% of the total number of share options granted
On 31 August 2023	25% of the total number of share options granted
On 31 August 2024	25% of the total number of share options granted
On 31 August 2025	25% of the total number of share options granted

CONNECTED TRANSACTIONS

The following transactions constituted the connected transactions of the Company under the Listing Rules during the financial year ended 31 December 2023 and up to the date of this annual report:

Pursuant to the Put Option Deed, DTXS International Holdings being the Controlling Shareholder of the Company, irrevocably granted the Put Option to Ion Tech (the "Subscriber"), but not the obligation, to require DTXS International Holdings to purchase or procure the purchase of all or part of the Option Shares during the Option Period. On 3 November 2022, DTXS International Holdings as the Grantor, Mr. Lu as the Guarantor and the Subscriber as the grantee have mutually agreed to further extend the Option Period by twenty four (24) months to a period of thirty nine (39) months commencing from the first day of the 25th month from the date of Completion (i.e. 29 August 2021) and expiring on the last day of the 63rd month from the date of Completion (i.e. 28 November 2024) (both days inclusive). For more details of the Put Option, refer to 1) the announcement of the Company dated 3 November 2022 in relation to further extension of the Option Period under the Put Option; 2) the circular of the Company dated 7 August 2019 in relation to the Subscription of new Shares under Specific Mandate by the Subscriber and the grant of the Put Option to the Subscriber by DTXS International Holdings; 3) the announcements of the Company dated 23 August 2019 and 28 August 2019 in relation to the poll results of the SGM and the completion of the Subscription respectively; and 4) the announcement of the Company dated 31 May 2021 in relation to extension of the Option Period under the Put Option.

Directors' Report

On 12 March 2020, DTXS Silk Road Investment Development Company Limited, a wholly-owned subsidiary of the Company, completed a connected transaction in relation to the acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited together with the guarantee arrangements (the "Guarantee Arrangements") with Da Tang Xi Shi International Group Limited, a wholly-owned subsidiary of DTXS Investment. The acquisition together with the Guarantee arrangements were approved by the independent shareholders of the Company in the special general meeting of the Company held on 11 March 2020. The Guarantee Arrangements have been still in effective during the financial year ended 31 December 2023 and up to the date of this annual report. For more details of the transaction, refer to 1) the announcement of the Company dated 29 November 2019; 2) the circular of the Company dated 21 February 2020; and 3) announcement of the Company dated 12 March 2020 in respect of, among other things, major and connected transaction in relation to the proposed acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 40 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws and there are no restrictions against such rights under the laws of Bermuda where the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the issued shares as required under the Listing Rules.

AUDITOR

Mazars will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the 2024 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR 2024 AGM

The annual general meeting of the Company will be held on Friday, 21 June 2024 (the "2024 AGM"). For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 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 Monday, 17 June 2024.

On behalf of the Board

Lu Jianzhong
Chairman

Hong Kong, 29 April 2024

Corporate Governance Report

The board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") is committed to establish and maintain good corporate governance standards. The Board believes that maintaining good standard of corporate governance practices are essential in providing a framework for the Company to enhance corporate value and accountability to the shareholders of the Company (the "Shareholders").

The Company has applied the principles and complied with the code provisions (the "Code") of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2023.

CORPORATE CULTURE AND STRATEGY

A positive corporate culture set up by the Company, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. The Group delivers responsible products and exceptional service to our customers in a fair and transparent manner. We also foster an inclusive and supportive working environment and implement a framework to develop strong governance and effective risk management systems.

All Directors must act with integrity. It is the Board's role to lead by example, foster and promote a corporate culture with core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers in Appendix C3 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors") and senior management of the Company.

The Company has made specific enquiries to all the Directors and they have confirmed their compliance with the requirements as set out in the Model Code throughout the financial year of 2023.

Senior management who, because of their offices in the Company, are likely to be in possession of inside information in relation to the Company's securities, have also been requested to comply with the provisions of the Model Code when dealing in the securities of the Company.

THE BOARD

Board Composition

The Board has a balanced composition of executive and non-executive Directors. As at the date of this annual report, the Board comprises seven Directors, comprising four Executive Directors and three Independent Non-executive Directors, as follows:

Executive Directors:
Mr. Lu Jianzhong *(Chairman)*
Mr. Yang Xingwen
Mr. Huang Dahai
Mr. Wong Kwok Tung Gordon Allan *(Co-Chief Executive Officer)*

Independent Non-executive Directors:
Mr. Kwok Chi Shing
Prof. Wang Guiguo
Ms. Hau Amy Wing Gee

The biographical information of all Directors as of the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 14 of this annual report. The list of Directors and their role and function is also disclosed in the websites of the Company and the Stock Exchange. None of the members of the Board is related to one another.

Board Diversity

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving the Group's business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The Board reviews the implementation and effectiveness of the board diversity policy at least annually.

As at the date of this annual report, the Board comprises seven Directors. The Nomination Committee considered that the composition of the Board is sufficiently diverse and appropriate for the management and business development of the Company. The Board will give consideration to the objectives for the factors as set out in the Board Diversity Policy for assessing the candidacy of the Board members in the future, and will ensure that any successors to the Board shall follow the Board Diversity Policy and that gender diversity will be achieved in respect of the Board. As at 31 December 2023, the male to female ratio in the workforce of the Group (including the senior management) was approximately 8:1. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. The Group considers a number of factor when hiring employees including gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service. The Company considered the gender ratio of the workforce is appropriate and balanced taking into account the nature of the industry.

The current Board consists of a diverse mix of Board members who match the requirement of the business of the Company.

Chairman, Co-Chief Executive Officer and Deputy Chief Executive Officers

The positions of the Chairman, Co-Chief Executive Officer and Deputy Chief Executive Officer of the Company are separately held by Mr. Lu Jianzhong, Mr. Wong Kwok Tung Gordon Allan and Mr. Wang Yong respectively.

The major roles of the Chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the Co-Chief Executive Officer, together with the Deputy Chief Executive Officers, are responsible for execution of the decisions and strategies approved by the Board, focusing on business development and managing day-to-day operations of the Company and its subsidiaries (the "Group") with the support of Executive Directors and senior management team.

Independent Non-executive Directors

The Independent Non-executive Directors play a significant role in the Board by providing their independent judgment and their views on the strategic decisions, directions, and financial and risk management of the Company. They also provide independent and objective opinions to the Board, give adequate checks and balances to protect the overall interests of the Shareholders and the Group.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors of the Company pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that all of the Independent Non-executive Directors are independent.

Directors' Appointment and Re-election

Code B.2.2 stipulates that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Reference is made to (i) the announcement of the Company dated 29 September 2023 in relation to resignation of Independent Non-executive Director, (ii) the announcement of the Company dated 31 August 2023 in relation to expiration of tenure of office of Independent Non-executive Director and (iii) the announcement of the Company dated 30 November 2023 in relation to appointment of Independent Non-executive Directors.

Following the tenure of office of Mr. Tsang Yok Sing, Jasper ("Mr. Tsang") as an Independent Non-executive Director of the Company expired on 31 August 2023 and Mr. Tsang decided not to renew the tenure of office after expiration. The Company was not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the Board must include at least three Independent Non-executive Directors; (ii) Rule 3.10A of the Listing Rules, which stipulates that the number of Independent Non-executive Directors shall represent at least one-third of the Board; and (iii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members. Upon the resignation of Mr. Tse Yung Hoi as an Independent Non-executive Director of the Company with effect from 1 October 2023, the Company was not in compliance with (i) Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee chaired by an Independent Non-executive Director and comprising a majority of Independent Non-executive Directors; and (ii) Rule 3.27A of the Listing Rules, which stipulates that the nomination committee comprising a majority of Independent Non-executive Directors.

Following the appointments of Prof. Wang Guiguo and Ms. Hau Amy Wing Gee with effect from 1 December 2023, the Company is in compliance with aforementioned Listing Rules since 1 December 2023. Save as disclosed above, throughout the year under review, the Company has complied with the Code of the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules.

Each of the Executive Directors and Independent Non-executive Directors is appointed for a specific term and is subject to retirement by rotation once every three years. The Company has issued formal letters of appointment to all Directors setting out the key terms of their appointments as required under the Listing Rules.

In accordance with bye-law 102(B) of the Company's bye-laws (the "Bye-Laws"), Prof. Wang Guiguo and Ms. Hau Amy Wing Gee will retire at the forthcoming annual general meeting of the Company (the "2024 AGM"), being eligible, and will offer themselves for re-election.

In accordance with bye-law 99(A) and 182(vi) of the Bye-Laws, Mr. Kwok Chi Shing will retire from office by rotation and, being eligible, offer themselves for re-election at the 2024 AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Group.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the relevant information of the Company as well as the services and advice from the Company Secretary and other senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for performing their duties to the Company.

The Directors should disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company. All Directors have confirmed that they have given sufficient time and attention to the affairs of the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Directors' Induction and Continuous Professional Development

Every newly appointed Director will receive necessary induction and information to ensure appropriate understanding of the business and operations of the Company and full awareness of his responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Pursuant to the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be issued to Directors where appropriate.

During the financial year, all Directors have participated in appropriate continuous professional trainings and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

BOARD COMMITTEES

The Board has proper delegation of its powers and has established four board committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee (collectively, "Board Committees"), for overseeing particular aspects of the Company's affairs. Board Committees are established with defined written terms of reference which deal clearly with their authorities and duties and are published on the websites of the Company and the Stock Exchange.

The Company has established mechanisms to ensure that the Board has access to independent views and opinions. The Company also engaged external experts to assist the Directors to perform their duties. The Company has annually reviewed the implementation and effectiveness of such mechanisms and believes that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

The Board has reviewed the implementation and effectiveness of the mechanisms and considered them to be effective for the year ended 31 December 2023.

Audit Committee

The Audit Committee has been established by the Board and comprises three members who are all Independent Non-executive Directors. Mr. Kwok Chi Shing is the chairman and Prof. Wang Guiguo and Ms. Hau Amy Wing Gee are members.

The Board has revised and adopted the terms of reference of the Audit Committee which are in line with the Code as set out in the CG Code. The role and function of the Audit Committee are set out in its revised terms of reference which are posted on the websites of the Company and the Stock Exchange. The Audit Committee is responsible for reviewing and supervision of the Group's financial reporting system, risk management and internal control systems, the scope and nature of the external audit and matters concerning the engagement of external auditor.

The Audit Committee held two meetings during the financial year. The Audit Committee reviewed the audit plan; reviewed and considered the reports from the external auditor; reviewed the Company's audited consolidated financial statements for the year ended 31 December 2022 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 with recommendations to the Board for approval; reviewed internal control system of the Group and discussed with the management and external auditor on any changes in accounting policies and practices which may affect the Group and financial reporting matters; reviewed the framework and policy of risk management and internal control systems.

Remuneration Committee

The Remuneration Committee has been established by the Board and comprises three members with a majority of Independent Non-executive Directors. Prof. Wang Guiguo is the chairman and Mr. Huang Dahai and Mr. Kwok Chi Shing are the members.

The Board has adopted the terms of reference of the Remuneration Committee which are in line with the Code as set out in the CG Code. The role and function of the Remuneration Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Director and senior management and the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings during the financial year. The Remuneration Committee reviewed the remuneration package of the Directors, subject to approval of Shareholders at the annual general meeting, and senior management for the year with recommendations to the Board for approval; reviewed the terms of reference of the Remuneration Committee of which no revision was required; and made recommendation to the Board for the remuneration package of the newly appointed Executive Directors, Independent Non-executive Directors, and Co-Chief Executive Officer. Details of the remuneration of Directors for the financial year are set out in Note 12 to the consolidated financial statements. In addition, written resolutions were passed by all members of the Remuneration Committee and recommendations were made to the Board as and when needed.

Nomination Committee

The Nomination Committee has been established by the Board and comprises three members with a majority of Independent Non-executive Directors. Mr. Lu Jianzhong is the chairman and Mr. Kwok Chi Shing and Ms. Hau Amy Wing Gee are the members.

The Board has adopted the terms of reference of the Nomination Committee which are in line with the Code as set out in the CG Code. The role and function of the Nomination Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors and assessing the independence of Independent Non-executive Directors.

The Nomination Committee held three meetings during the financial year to review the structure, size and composition of the Board and the board diversity policy; to assess the independence of the Independent Non-executive Directors; to consider the qualifications of the retiring Directors standing for election at the annual general meeting held on 30 May 2023; and to propose and made recommendation to the Board for the appointment of Executive Directors, and Co-Chief Executive, In addition, written resolutions were passed by all members of the Nomination Committee and recommendations were made to the Board as and when needed.

The Board has adopted the board diversity policy on 25 March 2014. Composition of the Board will be based on a range of diversity perspective, including but not limited to gender, age, cultural and educational background, knowledge and skills, professional experience, length of service, independence and other qualities of the members of the Board. The Company maintains that appointments of the Board should be based on merit while having due regard to the diversity and overall effective function of the Board as a whole. The Nomination Committee shall review the candidate profile and then submit a recommendation to the Board for consideration after taking into account all the requirements set out above and all other applicable factors relevant to the Company.

The Board also adopted the director nomination policy on 13 December 2018. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

Investment Committee

The Investment Committee has been established by the Board and comprises three members of executive Directors. Mr. Huang Dahai is the chairman and Mr. Yang Xingwen and Mr. Wong Kwok Tung Gordon Allan are the members.

The Board has adopted the terms of reference of the Investment Committee which are in line with the Code as set out in the CG Code. The role and function of the Investment Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange. The primary functions of the Investment Committee include handling any issues or affairs related to the investment aspects of the Company; reviewing the investment performance from time to time and advise the Board on how the Company's funds are to be used to enhance the Group's investment returns; and preserving the value of the Company's funds and/or achieving capital appreciation.

The Investment Committee held one meeting during the financial year. The Investment Committee reviewed investment performance and advised the Board how the Company how to enhance its investment returns. In addition, written resolutions were passed by all members of the Investment Committee and recommendations were made to the Board as and when needed.

Corporate Governance Functions

The Board is responsible for performing the functions as set out in the Code A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices; training and continuous professional development of Directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirements; and the compliance of the Model Code and the CG Code and disclosures in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEES MEMBERS

During the financial year, the Board held four meetings. With regards to general meetings, the Company held an annual general meeting on 30 May 2023. The attendance record of individual Director at the Board meetings, Board Committees meetings and the general meetings of the Company held during the financial year is set out in the table below:

	Attendance/No. of meetings entitled to attend					
Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Investment Committee Meeting	General Meeting
Executive Directors						
Mr. Lu Jianzhong *(Chairman)*	4/4	N/A	3/3	N/A	N/A	1/1
Mr. Yang Xingwen	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Huang Dahai	4/4	N/A	N/A	3/3	N/A	1/1
Dr. Xu Zhihong *(Executive Vice-Chairman)* (resigned on 1 February 2023)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wong Kwok Tung Gordon Allan *(Co-Chief Executive Officer)*	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Sun Liming *(Co-chief Executive Officer)* (appointed on 1 February 2023)	4/4	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Tse Yung Hoi (resigned on 30 September 2023)	4/4	2/2	2/2	2/2	N/A	1/1
Mr. Kwok Chi Shing	4/4	2/2	3/3	2/2	N/A	1/1
Mr. Tsang Yok Sing, Jasper (tenure expired on 31 August 2023)	3/3	2/2	N/A	N/A	N/A	1/1
Prof. Wang Guiguo (appointed on 1 December 2023)	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Hau Amy Wing Gee (appointed on 1 December 2023)	N/A	N/A	N/A	N/A	N/A	N/A

COMPANY SECRETARY

The Company Secretary of the Company is responsible for facilitating the Board processes, ensuring the Board procedures are followed and Board activities are efficiently and effectively conducted, as well as ensuring good information flow among Board members with senior management and the Shareholders.

Ms. Tsang Ngo Yin ("Ms. Tsang") resigned on 31 May 2023 and Mr. Wong Hong Tak Hagan was appointed as the Company Secretary with effect from 19 June 2023. Mr. Wong is a full-time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, Mr. Wong has complied with the relevant professional training requirement under rule 3.29 of the Listing Rules. The biographical details of Mr. Wong are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 14 of this annual report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders on assessment of the Company's performance, financial position and prospects.

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company, which give a true and fair view of the Group's state of affairs, results and cash flows for the year ended 31 December 2023. The Directors consider that the financial statements have been prepared in conformity with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment, and had prepared the financial statements on a going concern basis.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" on pages 39 to 44 of this annual report.

Auditors' Remuneration

The external auditor of the Company is Mazars CPA Limited ("Mazars"), Certified Public Accountants. The Audit Committee has been notified of the nature and the charges of non-audit services performed by Mazars during the year under review, if any, and considered that such non-audit services have no adverse effect on the independence of the external auditor.

During the financial year, the fees payable to Mazars in respect of its audit and non-audit services provided to the Group respectively were as follows:

	Mazars HK$'000
Audit services for annual financial statements	1,880
Total	1,880

Risk Management and Internal Control

The Directors acknowledge their responsibilities to evaluate and determine the nature and the extent of risks that shall be taken in achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted a risk management policy in providing directions in identifying, evaluating and management significant risks. At least on an annual basis, the senior management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The Group has engaged an advisory firm in performing annually internal control review on internal control system of the Group. Internal control report are submitted to the Audit Committee at least once a year.

During the financial year, the Board, through the Audit Committee, conducted an annual review of the effectiveness of the Group's risk management and internal control systems. After reviewing, the Board considered that the Group's risk management and internal control systems were effectively implemented for the Group as a whole during the financial year.

Anti-fraud and Whistle-blowing Policy and Procedure

The Board has adopted an Anti-fraud and Whistle-blowing Policy and Procedure (the "Anti-fraud and Whistle-blowing Policy and Procedure"), which is posted on the Company's website and is to: i) achieve the high standards of integrity and ethical behaviour in conducting business; ii) encourage the reporting of suspected fraud, corruption, malpractice and misconduct; iii) provides a reporting channels and guidance on whistleblowing to Employees or third parties to raise the concern rather than neglecting it. The nature, status and the results of the complaints received under the Anti-fraud and Whistle-blowing Policy and Procedure are reported to the Audit Committee of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations has been discovered.

It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. The Anti-fraud and Whistle-blowing Policy and Procedure is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company places a great deal of importance on timely, accurate and transparent communication with the Shareholders and the investment community. The Board has adopted a shareholders communication policy which is reviewed annually and posted on the Company's website and provides a framework to maintain direct, open and timely communication with the Shareholders. The Company shall ensure effective and timely dissemination of relevant information at all times.

The Company considers that effective communication with the Shareholders and the investment community in a fair and timely basis is essential so as to keep them abreast of Company's business strategy and development. The Company endeavors to maintain an on-going dialogue with the Shareholders and, in particular, through annual general meeting and other general meetings. At the general meetings, Directors (or their delegates as appropriate) are available to meet the Shareholders and answer their enquiries.

In addition, the Company maintains a website at www.dtxs.com as a communication platform with the Shareholders and investors, where the Group's financial reports (interim and annual reports), notices of general meetings, circulars, announcements, press releases and other business information are available for public access.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

The Company encourages the Shareholders to attend general meetings which provide an opportunity for communications between the Shareholders and the Board. Other than communications at the general meetings, Shareholders may put forward any enquiries to the Board by sending written enquiries by post to the Company's principal place of business in Hong Kong for the attention of the Company Secretary. The Company will not normally deal with verbal or anonymous enquiries.

Right to put forward proposals at general meetings

Shareholders can submit a requisition to move a resolution at a general meeting pursuant to section 79 of the Companies Act 1981 of Bermuda (the "Act"). The number of Shareholders necessary for a requisition shall be any number of Shareholders representing not less than one-twentieth of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the meeting; or not less than 100 Shareholders.

The written requisition must state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting; be signed by the requisitionist(s) (may consist of one or several documents in like form each signed by one or more requisitionist(s)); be deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in case of any other requisition; and be deposited with a sum reasonably sufficient to meet the Company's expenses in giving notice of the resolution and circulating the statements of the proposed resolution to all Shareholders in accordance with the requirements under the applicable laws and rules.

Right to propose a person for election as a Director

A Shareholder can submit a notice to propose a person (other than a retiring Director) for election as a Director at any general meeting pursuant to bye-law 103 of the Bye-Laws. The Shareholder should deposit a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected and the information as required to be disclosed under the relevant rules of the Listing Rules and the Bye-Laws as prevailing from time-to-time at the Company's principal place of business in Hong Kong for the attention of the Company Secretary at least seven days before the date of the general meeting.

Right to convene a special general meeting

Shareholders can submit a requisition to convene a special general meeting ("SGM") pursuant to section 74 of the Act. The number of Shareholders necessary for a requisition shall be representing not less than one-tenth of the Company's paid-up capital as at the date of the deposit of the requisition having the right to vote at general meeting of the Company.

The written requisition must state the purpose of the SGM; be signed by the requisitionist(s) (may consist of one or several documents in like form each signed by one or more requisitionist(s)); and be deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary.

If the requisition is in order, the Company Secretary will request the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the request has been verified invalid, the requisitionist(s) will be advised of this outcome and accordingly, a SGM will not be convened as requested.

If within 21 days from the date of the deposit of the proper and orderly requisition which the Board fails to proceed to convene such SGM, the requisitionist(s) may themselves convene a SGM in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s), but any meeting so convened shall not be held after the expiration of three months from the said date.

CONSTITUTIONAL DOCUMENTS

At the annual general meeting held on 30 May 2023, amended and restated bye-laws of the Company was adopted by a special resolution.

Save as disclosed above, during the financial year, there was no change to the Company's constitutional documents. An up-to-date version of the Company's memorandum of association and the Bye-Laws is available on the websites of the Company and the Stock Exchange.

COMPLIANCE WITH THE CODE

Save as disclosed above, throughout the year under review, the Company has complied with the Code of the CG Code as set out in Appendix C1 of the Listing Rules.

mazars

Mazars CPA Limited
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To the members of
DTXS Silk Road Investment Holdings Company Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 137, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of properties under development and completed properties held for sale	
Refer to Note 24 to the consolidated financial statements	Our key procedures, among others, included:
At 31 December 2023, the Group had various properties under development and completed properties held for sale (the "Properties") located in the People's Republic of China with carrying amounts of approximately HK$1,340,011,000 and HK$1,117,641,000, respectively. The Properties are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated costs to completion and the estimated costs necessary to make the sale. The net realisable value was determined by the management with reference to the valuation performed by an independent valuer. We have identified the above matter as a key audit matter because of the significance of carrying amount of the Properties and the estimation of net realisable value of the Properties involved significant judgements and estimations.	• reviewing the valuation report from the valuer and holding discussions with the management and the valuer to understand and evaluate the valuation basis and methodology used, and the underlying assumptions applied; • evaluating the objectivity, capabilities and competence of the valuer; • assessing, on a sampling basis, the reasonableness of the construction and other costs budgets of the Properties by comparing them to actual construction and other costs incurred for similar properties developed by the Group; • assessing, on a sample basis, the appropriateness of the underlying data including comparable market transactions being used; and • assessing, on a sample basis, evidences to verify the construction progress.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of advances to consignors and related interest receivables	
Refer to Notes 26 and 44 to the consolidated financial statements At 31 December 2023, the Group had advances to consignors of works of art (the "Advances to Consignors") and related interest receivables, net of expected credit loss, of approximately HK$392,216,000 and HK$131,923,000, respectively. The Group provides certain consignors of works of art with advances secured by the works of art which are held by the Group as collateral. The advances granted to consignors generally do not exceed 40% of the collateral's market value estimated by the Group's internal art experts. If the work of art is sold in auction, the proceeds received from the buyer, after deducting commission, advances, interest and relevant taxes, will be paid to the consignor. If the work of art remains unsold, the consignor will be required to repay the advance together with interest before the work of art is returned to the consignor. We have identified the impairment assessment of the Advances to Consignors and related interest receivables as a key audit matter because the significant amounts involved and significant judgements and estimations were made by management in determining the loss allowances for such advances and related interest receivables, which involve the estimation of the market value of works of art. The Group also engaged external art experts to perform the valuations of works of art which were held by the Group as collateral at the end of the reporting period.	Our key procedures, among others, included: • understanding and assessing the design, implementation of key internal controls over the approval, monitoring and collection of the Advances to Consignors and related interest receivables; • reviewing the expected credit loss assessment prepared by management; • evaluating, on a sampling basis, management's assessment of the value of collateral held by the Group by comparing management's estimation with the valuation reports from the external art experts, comparing the carrying value of the Advances to Consignors with the value of collateral, and reviewing historical auction prices of collateral sold; • assessing the internal and external art experts' competence, objectivity and capabilities; and • in respect of the Advances to Consignors and related interest receivables, assessing, on a sampling basis, the internal and external evidence obtained, and testing the historical settlement pattern, subsequent settlement and forward-looking factors specific to the consignors for the recognition and disclosure of impairment loss.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 29 April 2024

The engagement director on the audit resulting in this independent auditor's report is:
She Shing Pang
Practising Certificate number: P05510

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE			
Revenue from contracts with customers	*7*	**8,545**	1,096,684
Interest income from advances to consignors	*7*	**33,452**	34,884
Gross rental income	*7*	**2,496**	2,696
		44,493	1,134,264
Other income	*8*	**19,165**	12,157
Costs of inventories sold		**(1,910)**	(579,281)
Staff costs	*9(a)*	**(23,300)**	(35,016)
Depreciation and amortisation expenses	*9(b)*	**(9,191)**	(11,485)
Other operating expenses		**(14,008)**	(24,204)
Other losses	*10*	**(186,638)**	(29,813)
Impairment of trade and other receivables, net	*26(a), 26(b)*	**(7,509)**	(17,002)
Impairment of loan receivables	*27*	**(6,500)**	(6,500)
Impairment loss on goodwill	*22*	**(102,572)**	(24,940)
Impairment loss on property, plant and equipment	*18*	**(19,455)**	—
Impairment loss on intangible assets	*21*	**(56,844)**	—
Write off of advances to consignors and related interest receivables from art financing business	*26(b)(i)*	**(6,948)**	(3,599)
Finance costs	*11*	**(219)**	(17,091)
(LOSS) PROFIT BEFORE TAX	*9*	**(371,436)**	397,490
Income tax credit (expenses)	*14*	**12,983**	(211,071)
(LOSS) PROFIT FOR THE YEAR		**(358,453)**	186,419
OTHER COMPREHENSIVE EXPENSES			
Items that may be reclassified subsequently to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(19,912)**	(56,739)
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX		**(19,912)**	(56,739)
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE YEAR		**(378,365)**	129,680
(Loss) Profit for the year attributable to:			
Equity holders of the Company		**(302,064)**	106,448
Non-controlling interests		**(56,389)**	79,971
		(358,453)	186,419

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Total comprehensive (expenses) income for the year attributable to:			
Equity holders of the Company		**(318,125)**	57,745
Non-controlling interests		**(60,240)**	71,935
		(378,365)	129,680
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*16*		
Basic		**HK(45.25) cents**	HK15.95 cents
Diluted		**HK(45.25) cents**	HK15.95 cents

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**56,129**	94,225
Investment properties	19	**35,168**	43,012
Intangible assets	21	**—**	63,229
Goodwill	22	**—**	105,642
Financial assets at fair value through profit or loss	23	**6,924**	7,131
Deferred tax assets	33	**42,387**	41,612
Properties under development	24	**10,221**	25,845
		150,829	380,696
CURRENT ASSETS			
Properties under development	24	**1,329,790**	741,563
Completed properties held for sale	24	**1,117,641**	786,114
Inventories	25	**33,502**	33,074
Financial assets at fair value through profit or loss	23	**—**	31
Trade and other receivables	26	**809,701**	1,507,688
Loans receivables	27	**—**	6,500
Restricted bank deposits	28	**2,554**	2,589
Cash and cash equivalents	29	**23,079**	102,812
		3,316,267	3,180,371
Non-current assets classified as held for sale	18	**11,936**	—
		3,328,203	3,180,371
CURRENT LIABILITIES			
Trade and other payables	30	**853,596**	352,755
Interest-bearing borrowings	31	**1,328,559**	695,971
Bond payables	32	**—**	1,200
Tax liabilities		**311,205**	316,171
		2,493,360	1,366,097
NET CURRENT ASSETS		**834,843**	1,814,274
TOTAL ASSETS LESS CURRENT LIABILITIES		**985,672**	2,194,970
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	31	**10,990**	823,299
Other payables	20(b), 30	**—**	1,268
Deferred tax liabilities	33	**—**	15,807
		10,990	840,374
NET ASSETS		**974,682**	1,354,596

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CAPITAL AND RESERVES			
Share capital	*34*	**333,763**	333,763
Reserves	*36*	**553,654**	873,328
Equity attributable to equity holders of the Company		**887,417**	1,207,091
Non-controlling interests	*17*	**87,265**	147,505
TOTAL EQUITY		**974,682**	1,354,596

These consolidated financial statements on pages 45 to 137 were approved and authorised for issue by the Board of Directors on 29 April 2024 and signed on its behalf by

Huang Dahai	**Wong Kwok Tung Gordon Allan**
Director	*Director*

	Attributable to equity holders of the Company											
	Share capital *(Note 34)* HK$'000	Share premium *(Note 36(a))* HK$'000	Share option reserve *(Note 35)* HK$'000	Capital Redemption reserve *(Note 36(a))* HK$'000	Exchange fluctuation reserve *(Note 36(b))* HK$'000	Revaluation reserve *(Note 36€)* HK$'000	Merger reserve *(Note 36(d))* HK$'000	Other reserve *(Note 36(e))* HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-Controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	333,763	1,569,891*	20,746*	1,264*	39,674*	2,818*	(179,433)*	4,950*	(646,109)*	1,147,564	76,663	1,224,227
Profit for the year	—	—	—	—	—	—	—	—	106,448	106,448	79,971	186,419
Other comprehensive expenses:												
Items that may be reclassified subsequently to profit or loss in subsequent periods:												
Exchange difference on translation of foreign operations	—	—	—	—	(48,703)	—	—	—	—	(48,703)	(8,036)	(56,739)
Total comprehensive income for the year	—	—	—	—	(48,703)	—	—	—	106,448	57,745	71,935	129,680
Transactions with owners:												
Contributions and distributions												
Transfer of share option reserve upon the forfeiture of share options after vesting date *(Note 35)*	—	—	(2,551)	—	—	—	—	—	2,551	—	—	—
Equity-settled share option arrangements *(Note 35)*	—	—	232	—	—	—	—	—	—	232	—	232
Disposal of partial interest in a subsidiary	—	—	—	—	(73)	—	—	1,166	—	1,093	(1,093)	—
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	—	—	—	—	457	—	—	—	—	457	—	457
	—	—	(2,319)	—	384	—	—	1,166	2,551	1,782	(1,093)	689
At 31 December 2022	333,763	1,569,891*	18,427*	1,264*	(8,645)*	2,818*	(179,433)*	6,116*	(537,110)*	1,207,091	147,505	1,354,596
At 1 January 2023	**333,763**	**1,569,891***	**18,427***	**1,264***	**(8,645)***	**2,818***	**(179,433)***	**6,116***	**(537,110)***	**1,207,091**	**147,505**	**1,354,596**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(302,064)**	**(302,064)**	**(56,389)**	**(358,453)**
Other comprehensive expenses:												
Items that may be reclassified subsequently to profit or loss in subsequent periods:												
Exchange difference on translation of foreign operations	**—**	**—**	**—**	**—**	**(16,061)**	**—**	**—**	**—**	**—**	**(16,061)**	**(3,851)**	**(19,912)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(16,061)**	**—**	**—**	**—**	**(302,064)**	**(318,125)**	**(60,240)**	**(378,365)**
Transactions with owners:												
Contributions and distributions												
Transfer of share option reserve upon the forfeiture of share options after vesting date *(Note 35)*	**—**	**—**	**(1,606)**	**—**	**—**	**—**	**—**	**—**	**1,606**	**—**	**—**	**—**
Equity-settled share option arrangements *(Note 35)*	**—**	**—**	**(1,549)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,549)**	**—**	**(1,549)**
	—	**—**	**(3,155)**	**—**	**—**	**—**	**—**	**—**	**1,606**	**(1,549)**	**—**	**(1,549)**
At 31 December 2023	**333,763**	**1,569,891***	**15,272***	**1,264***	**(24,706)***	**2,818***	**(179,433)***	**6,116***	**(837,568)***	**887,417**	**87,265**	**974,682**

* At 31 December 2023, these reserve accounts comprise the consolidated reserves of approximately HK$553,654,000 (2022: approximately HK$873,328,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
(Loss) Profit before tax		**(371,436)**	397,490
Adjustments for:			
Depreciation and amortisation expenses		**9,191**	11,485
Impairment of trade and other receivables, net		**7,509**	17,002
Impairment of loans receivables	*27*	**6,500**	6,500
Write off of advances to consignors and related interest receivables	*26(b)(i)*	**6,948**	3,599
Write down of inventories	*10*	**—**	10,046
Write down of properties under development and completed properties held for sale	*10*	**178,564**	—
Impairment loss on goodwill	*22*	**102,572**	24,940
Impairment loss on property, plant and equipment	*18*	**19,455**	—
Impairment loss on intangible assets	*21*	**56,844**	—
Fair value loss on investment properties	*10, 19*	**6,639**	1,166
Unrealised fair value losses on listed equity securities	*23(b)*	**—**	929
Loss on trading of listed equity securities	*23(b)*	**4**	—
Loss on deregistration of a subsidiary		**—**	592
Gain on disposal of subsidiaries	*45*	**(7,261)**	—
Gain on termination of leases		**—**	(188)
Finance costs	*11*	**219**	17,091
Bank interest income	*8*	**(61)**	(178)
Interest income from loans receivables		**—**	(2,671)
Share-based payment expenses	*9(a)*	**(1,549)**	232
Exchange differences		**3,632**	11,026
CASH FLOWS GENERATED FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL		**17,770**	499,061
Change in working capital:			
Properties under development		**(182,643)**	(150,749)
Completed properties held for sale		**(170,279)**	578,876
Inventories		**(509)**	973
Trade and other receivables		**(398,236)**	(475,574)
Trade and other payables		**859,117**	(262,125)
CASH FROM OPERATIONS		**125,220**	190,462
Bank interest received		**61**	178
Interest paid		**(137)**	(234)
Income tax (paid) refunded, net		**(229)**	246
NET CASH FLOWS FROM OPERATING ACTIVITIES		**124,915**	190,652

	Notes	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(5)**	(335)
Net cash outflow from disposal of subsidiaries	*45*	**(4)**	—
Proceed from trading of listed equity securities		**27**	—
Increase of restricted bank deposits		**(40)**	(123)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(22)**	(458)
FINANCING ACTIVITIES			
Inception of interest-bearing borrowings	*39(b)*	**66,390**	—
Repayment of interest-bearing borrowings	*39(b)*	**(202,877)**	(15,666)
Issuance of bond payables	*39(b)*	**—**	1,200
Repayment of bond payables	*39(b)*	**(1,200)**	(500)
Principal portion of lease payments	*39(b)*	**(1,597)**	(2,808)
Interest paid		**(63,109)**	(93,415)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(202,393)**	(111,189)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(77,500)**	79,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**102,812**	28,124
Effect of foreign exchange rate changes, net		**(2,233)**	(4,317)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*29*	**23,079**	102,812

1. CORPORATE AND GROUP INFORMATION

DTXS Silk Road Investment Holdings Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 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 Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- provision of auction and related services
- production and sale of wines
- trading of merchandises
- properties investment and development

In the opinion of the directors of the Company, the immediate holding company of the Company is Da Tang Xi Shi International Holdings Limited, which is established in the British Virgin Islands (the "BVI"), 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*, "DTXS Investments"), which is established in the People's Republic of China (the "PRC"), and the ultimate controlling parties of the Company are Mr. Lu Jianzhong and Ms. Zhu Ronghua (the "Ultimate Controlling Parties").

* *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.

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.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of new/revised HKFRSs that are relevant to the Group and effective from the current period as set out in Note 3 to the consolidated financial statements.

2. BASIS OF PREPARATION *(CONTINUED)*

Going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that (1) the Group incurred a net loss of approximately HK$358,453,000 for the year ended 31 December 2023 and (2) at 31 December 2023, the Group had total interest-bearing borrowings of approximately HK$1,339,549,000 of which the current interest-bearing borrowings amounted to approximately HK$1,328,559,000, and cash and cash equivalents of only approximately HK$23,079,000 at 31 December 2023.

At and subsequent to 31 December 2023, the Group is subject to a number of legal actions related to delay or failure of settlements of trade and other payables.

The above events or conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern in next twelve months from the approval of these consolidated financial statements and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken or will be taken by the directors of the Company to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

i) the Group has been actively negotiating with the banks for renewal and further extension of interest-bearing borrowings and related interest, while the Group has already successfully extended the interest-bearing borrowings of approximately HK$615,418,000 for two and half years from April 2024 to October 2026 in April 2024;

ii) the Group has been actively negotiating with various financial institutions and potential lenders or investors to identify various options for financing the Group's working capital and commitments in the foreseeable future;

iii) the Group has accelerated or will accelerate the pre-sale and sales of the properties under development and completed properties held for sale;

iv) the Group has been actively negotiated with the consignors regarding the settlement of advance to consignors and related interest receivables; and

v) the ultimate controlling party, Mr. Lu Jianzhong, has committed and has proved his ability to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due.

The directors of the Company have also reviewed the Group's cash flow forecast prepared by the management which covers a period of 18 months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors of the Company believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any NCI, and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. BASIS OF PREPARATION *(Continued)*

Structured arrangements

Following the completion of the acquisition of China King Sing Lun Fung Company Limited ("KSLF (HK)") and the execution of certain structured arrangements in 2016, the Group commenced the auction business in the PRC through 北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*, "Beijing Phoenixstar"), an indirect wholly-owned subsidiary of KSLF (HK).

The legal ownership of Beijing Phoenixstar is registered under the names of two individuals (the "Old Registered Shareholders") and the Group entered into a series of agreements with the Old Registered Shareholders to effect that the Group has control over Beijing Phoenixstar so as to obtain benefits from its activities (the "Old Structured Arrangements"). The Old Structured Arrangements with the Old Registered Shareholders comprise the following agreements:

(i) Exclusive Operation and Technology Support Services Agreement;

(ii) Exclusive Right to Purchase Agreement;

(iii) The Voting Rights Proxy Agreement; and

(iv) Equity Pledge Agreement.

Details of the Old Structured Arrangements are set out in the section headed "the Structured Contractual Arrangements" in the Company's announcement dated 20 June 2016.

The Old Structured Arrangements are irrevocable and enable the Group to:

- Exercise effective financial and operational control over Beijing Phoenixstar;
- Exercise equity holders' voting rights of Beijing Phoenixstar;
- Receive substantially all of the economic returns generated by Beijing Phoenixstar in consideration for the exclusive technical and management consultancy services;
- Obtain an irrevocable and exclusive right to purchase all or part of equity interests in Beijing Phoenixstar from the respective Old Registered Shareholders; and
- Obtain a pledge over the entire equity interest of Beijing Phoenixstar as collateral security under the Old Structured Arrangements.

On 15 September 2022, Beijing Phoenixstar was deregistered and the auction business has since been temporarily suspended.

On 27 December 2022, the Group acquired the entire equity interests of 海南鉑珥國際拍賣有限公司 (Hainan Baier International Auction Company Limited*, "Hainan Baier") by execution of certain structured arrangements, in which Hainan Baier had then taken up the auction business of the Group, that was previously conducted through Beijing Phoenixstar, on the same date.

* *For identification purpose only*

2. BASIS OF PREPARATION *(Continued)*

Structured arrangements *(Continued)*

The legal ownership of Hainan Baier is registered under the names of two individuals (the "New Registered Shareholders") and the Group entered into a series of agreements with the New Registered Shareholders to effect that the Group has control over Hainan Baier so as to obtain benefits from its activities (the "New Structured Arrangements"). The New Structured Arrangements with the New Registered Shareholders comprise the following agreements:

(i) Exclusive Operation and Technology Support Services Agreement;

(ii) Exclusive Right to Purchase Agreement;

(iii) The Voting Rights Proxy Agreement; and

(iv) Equity Pledge Agreement.

The terms and details of the above New Structured Arrangements are the same as the Old Structured Arrangements, which are irrevocable and enable the Group to:

- Exercise effective financial and operational control over Hainan Baier;
- Exercise equity holders' voting rights of Hainan Baier;
- Receive substantially all of the economic returns generated by Hainan Baier in consideration for the exclusive technical and management consultancy services;
- Obtain an irrevocable and exclusive right to purchase all or part of equity interests in Hainan Baier from the respective New Registered Shareholders; and
- Obtain a pledge over the entire equity interest of Hainan Baier as collateral security under the New Structured Arrangements.

The above Old Structured Arrangements and New Structured Arrangements (collectively "Structured Arrangements") effectively transfer the controls over the economic benefits and pass the risks associated with the business of Beijing Phoenixstar and Hainan Baier to the Group. Accordingly, Beijing Phoenixstar and Hainan Baier are accounted for as wholly-owned subsidiaries of the Group since the completion of the acquisition of KSLF (HK) and Hainan Baier for accounting purposes.

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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed and updated the disclosures of accounting policies to disclose the material accounting policy information.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKAS 12: International Tax Reform — Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 The effective date to be determined

The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and the financial position of the Group.

A summary of the principal accounting policies adopted by the Group is set out in note 4 to the consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries is stated at cost less accumulated impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

Fair value measurement

The Group measures its investment properties, unlisted equity investment and listed equity securities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets, other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (including its property, plant and equipment, intangible assets and the Company's interests in subsidiaries), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of the holding company of the Group.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates/estimated useful lives used for this purpose are as follows:

Owned assets	
Freehold land	Not depreciated
Buildings	3.3% to 6.3%
Leasehold improvements	Over the shorter of the lease terms and 33.3%
Plant, machinery and workshop equipment	5% to 20%
Furniture, fixtures and office equipment	20% to 33.3%
Motor vehicles	20% to 33.3%
Bearer plants	5%
Right-of-use assets	
Leasehold land	Over the shorter of the lease terms and 2.6%
Buildings	2 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and building that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the period of the retirement or disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are subsequently amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

Brands, customer relationship and computer software

Brands, customer relationship and computer software are stated at cost less accumulated amortisation and any impairment losses and are amortised on the straight-line basis over their estimated useful lives as follows:

Brands	20 years
Customer relationship	5 years
Computer software	3 years

Properties under development

Properties under development are stated at the lower of cost and net realisable value, and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributed to such properties during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to unsold properties. Net realisable value determined by reference to the sales proceeds of properties sold in ordinary course of business, less applicable selling expenses, or by management estimates based on prevailing market conditions.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as detailed in the policy under "Property, plant and equipment" above.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment properties, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties" above.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in trade and other payables.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office properties and staff quarters (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue and other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee other than legal title, are accounted for as finance leases.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include unlisted equity investment, listed equity securities, trade and other receivables, loans receivables, restricted bank deposits and cash and cash equivalents.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans receivables, restricted bank deposits and cash and cash equivalents.

Financial assets at FVPL

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVPL are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

The Group's financial assets at FVPL include unlisted equity investment and listed equity securities.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "passthrough" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (the "ECL") for all debt instruments not held at FVPL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables (if any), the Group chooses as its accounting policy to adopt the simplified approach in calculating ECL with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings and bond payables.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, is calculated using the first in, first out method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks or other financial institution, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Sale of merchandises, wines and properties

Revenue from the sale of merchandises, wines and properties are recognised at the point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

(b) Provision of auction and related services

Revenue from the provision of auction services mainly includes commission from auction services. Commission from auction services includes buyer's and seller's commission, the services provided to each of which is regarded as a distinct performance obligation satisfied at a point in time when the full payment of auction items is settled by the buyer and the transaction price of which is based on a percentage of the hammer price of the auction sales.

Revenue from other sources

Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the gross carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 35 to the consolidated financial statements.

The cost of equity-settled transactions is recognised as employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits/losses. When the share options are forfeited before the vesting date, the amount previously recognised in share options reserve will be reclassified to profit or loss.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. Those subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated into Hong Kong dollars at the weighted average exchange rates for the period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Structured Arrangements

The Group conducts a substantial portion of the business through Beijing Phoenixstar and Hainan Baier in the PRC under the Structured Arrangements due to the regulatory restrictions on auction business in the PRC. The Group does not have any equity interest in Beijing Phoenixstar and Hainan Baier. The directors of the Company assessed whether or not the Group has control over Beijing Phoenixstar and Hainan Baier based on whether the Group has the power over Beijing Phoenixstar and Hainan Baier, has rights to variable returns from its involvement with Beijing Phoenixstar and Hainan Baier and has the ability to affect those returns through its power over Beijing Phoenixstar and Hainan Baier. The directors of the Company concluded that the Group has control over Beijing Phoenixstar and Hainan Baier as a result of the Structured Arrangements and accordingly, the Group has consolidated the financial information of Beijing Phoenixstar and Hainan Baier since 2016 and 2022 respectively.

Nevertheless, the Structured Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Phoenixstar and Hainan Baier and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Phoenixstar and Hainan Baier. The directors of the Company, based on the advice from its legal counsel, consider that the Structured Arrangements among the Company, Beijing Phoenixstar, the Old Registered Shareholders, Hainan Baier and the New Registered Shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable. Because Beijing Phoenixstar has already been deregistered, changes in market conditions or interpretations of the PRC laws and regulations in future may have a material impact on the assessment of control over Hainan Baier.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Identification of leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the requirements of HKFRS 16 and all the relevant facts and circumstances. In particular, the Group assesses whether the contract involves the use of an identified asset by applying the concept of substantive substitution right. Also, the Group assesses whether the Group or the customer has the right to direct the use of the identified asset with reference to determination of which party has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where such decisions are predetermined, the right to operate the asset or the incorporation of such decisions by means of designing the asset are considered.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below:

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets based on the experience of actual useful lives of assets of similar nature and functions or expected useful lives of assets, after taking into account of estimated technology life cycle. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss.

Impairment of property, plant and equipment and intangible assets

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which the goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash flows, further impairment losses may arise.

Estimation of fair value of investment properties

The Group's investment properties are stated at fair value based on the appraised market value provided by an independent professional valuer. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each revaluation date. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of net realisable value of properties under development and completed properties held for sale

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. The Group determines the net realisable value with reference to the valuation performed by an independent professional valuer.

Estimation of total budgeted costs and costs to completion for properties under development

Total budgeted costs for properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the properties development business in the PRC are subject to LAT, which has been included in income tax. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised certain of its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions of LAT in the period in which such determination is made.

Impairment assessment of advances to consignors and related interest receivables

The Group provides certain consignors with advances secured by auction items (works of art) as collateral (the "Collateral"). The provision for ECL is measured at the difference between the Collateral's carrying amount and the present value of estimated future cash flows, which included the consideration of cash flows from sale of the Collateral for each advance to a consignor. Therefore, the impairment assessment for these advances together with the related interest receivables requires the estimation of the fair value of the Collateral at the end of the reporting period. Management relies on the valuation opinion of art experts who consider a number of factors including recent transactions for comparable works of art, supply and demand and the current economic environment. Due to the subjectivity involved in estimating the realisable value, if the artwork market deteriorates and the overall economic condition was to deteriorate, actual credit losses would be higher than estimated. If the artwork market was to deteriorate, actual impairment losses on advances to consignors for art financing business and related interest receivables would be higher than estimated.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Loss allowance for ECL

The Group's management estimates the loss allowance for trade and other receivables, other than advances to consignors and related interest receivables, by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL and sensitivity analysis of ECL are set out in Note 44 to the consolidated financial statements.

Deferred tax assets

The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

6. 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 2023 and 2022, for performance assessment and resource allocation, the CODM focused on segment revenue and results attributable to each segment, which is measured by reference to respective 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 described in Note 4 to the consolidated financial statements. Segment results represent the profit/loss of each segment without allocation of central administration costs, directors' remuneration, loss on trading of listed equity securities, unrealised fair value loss on listed equity securities, and certain finance costs.

6. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results *(Continued)*

	Arts and Cultural Division 2023 HK$'000	Arts and Cultural Division 2022 HK$'000	Winery and Trading Division 2023 HK$'000	Winery and Trading Division 2022 HK$'000	Property Development Division 2023 HK$'000	Property Development Division 2022 HK$'000	Consolidated 2023 HK$'000	Consolidated 2022 HK$'000
Segment revenue *(Note 7)*								
Revenue from external customers								
— Revenue from contracts with customers under HKFRS 15 *(Note 7(a))*	—	21	**1,970**	6,563	**6,575**	1,090,100	**8,545**	1,096,684
— Interest income from advances to consignors	**33,452**	34,884	—	—	—	—	**33,452**	34,884
— Gross rental income from investment properties: Operating leases — with fixed lease payments	**2,496**	2,696	—	—	—	—	**2,496**	2,696
Revenue	**35,948**	37,601	**1,970**	6,563	**6,575**	1,090,100	**44,493**	1,134,264
Segment results*	**(164,282)**	(29,890)	**(5,217)**	(9,557)	**(184,467)**	479,465	**(353,966)**	440,018
Reconciliation:								
Unallocated other income							—	2,201
Unallocated other gains and losses							**(4,005)**	(17,908)
Unallocated corporate and other expenses							**(13,465)**	(26,821)
Profit (Loss) before tax for the year							**(371,436)**	397,490
Other segment information:								
Depreciation and amortisation	**7,041**	7,540	**447**	314	**18**	241	**7,506**	8,095
Unallocated							**1,685**	3,390
							9,191	11,485
Capital expenditure#	—	—	—	104	**5**	14	**5**	118
Unallocated							—	3,175
							5	3,293
Interest income from loans receivables	—	—	—	—	—	(875)	—	(875)
Unallocated							—	(1,796)
							—	(2,671)
Impairment of trade and other receivables, net	**103**	6,521	**2,578**	3,628	**4,828**	4,153	**7,509**	14,302
Unallocated							—	2,700
							7,509	17,002
Impairment loss on property, plant and equipment	**14,290**	—	**5,165**	—	—	—	**19,455**	—
Impairment loss on goodwill	**102,572**	24,940	—	—	—	—	**102,572**	24,940
Impairment loss on intangible assets	**56,844**	—	—	—	—	—	**56,844**	—
Write off of advances to consignors and related interest receivables	**6,948**	3,599	—	—	—	—	**6,948**	3,599
Write down of inventories	—	8,801	—	1,245	—	—	—	10,046
Write down of properties under development and completed properties held for sale	—	—	—	—	**178,564**	—	**178,564**	—
Loss on deregistration of a subsidiary	—	592	—	—	—	—	—	592
Gain on disposal of subsidiaries	—	—	**(7,261)**	—	—	—	**(7,261)**	—
Gross rental income from completed properties held for sale	—	—	—	—	**(10,868)**	(8,741)	**(10,868)**	(8,741)
Fair value loss on investment properties	**6,639**	1,166	—	—	—	—	**6,639**	1,166

* Segment results are before tax

\# Capital expenditure consists of additions to property, plant and equipment

6. OPERATING SEGMENT INFORMATION *(Continued)*

(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 2023 and 2022; and (ii) the Group's property, plant and equipment, investment properties, intangible assets, goodwill and properties under development ("Specified Non-Current Assets") at 31 December 2023 and 2022. 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	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**29,010**	29,928	**1,185**	2,870
Mainland China	**15,338**	1,102,828	**100,333**	311,477
France	**145**	1,508	**—**	17,606
	44,493	1,134,264	**101,518**	331,953

(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:

	2023	2022
	HK$'000	HK$'000
Property Development Division		
Customer A	**Note**	571,897
Customer B	**Note**	175,355
Customer C	**Note**	124,148
Customer D	**Note**	123,896

Note: The individual customers contributed less than 10% of the total revenue of the Group in the current year.

7. REVENUE

	Note	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers under HKFRS 15			
Sale of merchandises and wines		**1,970**	6,563
Sale of properties		**6,575**	1,090,100
Auction and related services		**—**	21
	7(a)	**8,545**	1,096,684
Revenue from other sources			
Interest income from advances to consignors		**33,452**	34,884
Gross rental income from investment properties:			
Operating leases — with fixed lease payments		**2,496**	2,696
		35,948	37,580
Total revenue		**44,493**	1,134,264

(a) Disaggregation of revenue information

For the year ended 31 December 2023

	Art and Cultural Division HK$'000	Winery and Trading Division HK$'000	Property Development Division HK$'000	Total HK$'000
Types of goods or services				
Sale of merchandises and wines	—	1,970	—	1,970
Sale of properties	—	—	6,575	6,575
Total revenue from contracts with customers under HKFRS 15	—	1,970	6,575	8,545
Geographical markets				
Mainland China	—	719	6,575	7,294
Hong Kong	—	1,106	—	1,106
France	—	145	—	145
Total revenue from contracts with customers under HKFRS 15	—	1,970	6,575	8,545

7. REVENUE *(Continued)*

(a) Disaggregation of revenue information *(Continued)*

For the year ended 31 December 2022

	Arts and Cultural Division HK$'000	Winery and Trading Division HK$'000	Property Development Division HK$'000	Total HK$'000
Types of goods or services				
Sale of merchandises and wines	—	6,563	—	6,563
Sale of properties	—	—	1,090,100	1,090,100
Auction and related services	21	—	—	21
Total revenue from contracts with customers under HKFRS 15	21	6,563	1,090,100	1,096,684
Geographical markets				
Mainland China	—	3,477	1,090,100	1,093,577
Hong Kong	21	1,578	—	1,599
France	—	1,508	—	1,508
Total revenue from contracts with customers under HKFRS 15	21	6,563	1,090,100	1,096,684

All revenue from contracts with customers is recognised at a point in time when the control of the assets is transferred or the services are provided to the customers.

8. OTHER INCOME

	Note	**2023 HK$'000**	2022 HK$'000
Bank interest income		**61**	178
Government grants *(Note)*		**—**	352
Gross rental income from completed properties held for sale		**10,868**	8,741
Interest income from loans receivables		**—**	2,671
Gain on disposal of subsidiaries	*45*	**7,261**	—
Sundry income		**975**	215
		19,165	12,157

Note: During the year ended 31 December 2022, the Group received government grants from the Anti-epidemic Fund set up by the Government of Hong Kong Special Administrative Region under the Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant.

In the opinion of the directors of the Company, there are no unfulfilled conditions or other contingencies attaching to these grants.

9. (LOSS) PROFIT BEFORE TAX

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

	2023 HK$'000	2022 HK$'000
(a) Staff costs (including the directors' remuneration)		
Salaries, bonus, allowances and other benefits in kind	**21,946**	31,321
Contributions to defined contribution retirement plans	**2,903**	3,463
Share-based payment expenses	**(1,549)**	232
	23,300	35,016
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	**1,652**	2,123
Less: Amount included in inventory overheads	**(413)**	(600)
	1,239	1,523
Depreciation of right-of-use assets	**3,373**	5,138
Amortisation of intangible assets	**4,579**	4,824
	9,191	11,485
(c) Other items (included in other operating expenses)		
Auditor's remuneration	**1,880**	1,680
Legal and professional fees	**1,466**	6,428
Secretarial and registration fees	**924**	669
Lease payments not included in the measurement of lease liabilities	**462**	299

10. OTHER LOSSES

	Notes	2023 HK$'000	2022 HK$'000
Loss on deregistration of a subsidiary		**—**	(592)
Write down of inventories		**—**	(10,046)
Write down of properties under development and completed properties held for sale		**(178,564)**	—
Foreign exchange differences, net		**(1,431)**	(17,080)
Loss on trading of listed equity securities	*23(b)*	**(4)**	—
Unrealised fair value losses on listed equity securities	*23(b)*	**—**	(929)
Fair value loss on investment properties	*19*	**(6,639)**	(1,166)
		(186,638)	(29,813)

11. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**137**	234
Interest on bond payables	**80**	225
Interest on financing component of contract liabilities	**14,400**	—
Interest on interest-bearing borrowings	**100,487**	108,405
Total borrowing costs	**115,104**	108,864
Less: Borrowing costs capitalised into properties under development	**(114,885)**	(91,773)
	219	17,091

The borrowing costs related to interest-bearing borrowings used for property development were capitalised, up to the date of relevant property development project was completed and available for sale. The borrowing costs have been capitalised at a rate of 6.65% per annum (2022: 6.68% per annum).

12. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023 HK$'000	2022 HK$'000
Fees	**755**	900
Other emoluments:		
Salaries, bonus, allowances and other benefits in kind	**2,264**	5,593
Share-based payment expenses	**—**	(1,515)
Contributions to defined contribution retirement plans	**33**	95
	2,297	4,173
	3,052	5,073

12. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment expenses HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
2023						
Executive directors:						
Lu Jianzhong *(Chairman)*	—	300	—	—	—	300
Yang Xingwen	—	300	—	—	—	300
Wong Kwok Tung Gordon Allan# *(Co-Chief Executive Officer)*	—	685	—	—	30	715
Xu Zhihong^ *(Executive Vice-chairman)*	—	171	—	—	3	174
Huang Dahai	—	300	—	—	—	300
Sun Liming*^ *(Co-Chief Executive officer)*	—	508	—	—	—	508
Independent non-executive directors:						
Tsang Yok Sing, Jasper@	200	—	—	—	—	200
Tse Yung Hoi^	225	—	—	—	—	225
Kwok Chi Shing	300	—	—	—	—	300
Wang Guiguo*	15	—	—	—	—	15
Hau Amy Wing Gee*	15	—	—	—	—	15
	755	2,264	—	—	33	3,052

12. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonus HK$'000	Share-based payment expenses HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
2022						
Executive directors:						
Lu Jianzhong *(Chairman)*	—	300	—	—	—	300
Yang Xingwen	—	300	—	—	—	300
Ma Chao^ *(Executive Vice-chairman)*	—	495	—	(895)	8	(392)
Kam Hou Yin John^ *(Chief Executive Officer)*	—	1,647	—	(620)	29	1,056
Wong Kwok Tung Gordon Allan *(Deputy Chief Executive Officer)*	—	1,268	—	—	33	1,301
Xu Zhihong* *(Executive Vice-chairman)*	—	1,541	—	—	25	1,566
Huang Dahai*	—	42	—	—	—	42
Independent non-executive directors:						
Tsang Yok Sing, Jasper	300	—	—	—	—	300
Tse Yung Hoi	300	—	—	—	—	300
Kwok Chi Shing	300	—	—	—	—	300
	900	5,593	—	(1,515)	95	5,073

* Xu Zhihong and Huang Dahai have been appointed as executive directors of the Company with effect from 1 April 2022 and 10 November 2022, respectively. Sun Liming has been appointed as an executive director of the Company with effect from 1 February 2023. Wang Guiguo and Hau Amy Wing Gee have been appointed as independent non-executive directors of the Company with effect from 1 December 2023.

^ Xu Zhihong, executive vice-chairman has resigned as an executive director of the Company with effect from 1 February 2023. Ma Chao, executive vice-chairman, and Kam Hou Yin John, chief executive officer, have resigned as executive directors of the Company with effect from 1 April 2022 and 10 November 2022, respectively, while Ma Chao had continued being an employee of the Group until 30 June 2022. Tse Yung Hoi has resigned as an independent non-executive director of the Company with effect from 1 October 2023. Sun Li Ming has resigned as an executive director of the Company with effect from 16 January 2024.

Wong Kwok Tung Gordon Allan has been re-designated from deputy chief executive officer to co-chief executive officer of the Company with effect from 1 February 2023.

@ The tenure of office of Tsang Yok Shing, Jasper as an independent non-executive director of the Company expired on 31 August 2023, and no renewal of the tenure of office after expiration.

12. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of executive directors shown above were paid for their services in connection with the management of the affairs and for serving as directors of the Company and the Group, and those to non-executive directors and independent non-executive directors are for serving as directors of the Company.

In previous years, certain directors were granted share options, in respect of their services to the Group under the share option schemes of the Company. During the year ended 31 December 2022, upon the resignation of Ma Chao and Kam Hou Yin John, the share options granted but not vested were all forfeited and reversed in profit or loss. Further details of which are set out in Note 35 to the consolidated financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined at the date of grant and the amounts are included in the above directors' remuneration disclosures. There are no share-based payment expenses to any directors for the year ended 31 December 2023.

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2023 included two directors (2022: three directors), details of whose remuneration are set out in Note 12 to the consolidated financial statements. Details of the remuneration for the year ended 31 December 2023 of the remaining three (2022: two) highest paid employees who are neither directors nor chief executives of the Company are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, bonus, allowances and other benefits in kind	**1,640**	2,466
Contributions to defined contribution retirement plans	**47**	36
Share-based payment expenses	**—**	1,747
	1,687	4,249

13. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows.

	Number of individuals	
	2023	2022
HK$500,001 to HK$1,000,000	**3**	—
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	—	1
	3	2

In previous years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are set out in Note 35 to the consolidated financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined at the date of grant and the amount are included in the consolidated financial statements for the current period is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures for the year ended 31 December 2022. There are no share-based payment expenses to any of the above non-director and non-chief executive highest paid employees for the year ended 31 December 2023.

During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group to any of these non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as a compensation for loss of office. None of these non-director and non-chief executive highest paid employees waived or has agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

14. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2023 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 (2022: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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% (2022: 25%) for the year ended 31 December 2023.

The PRC 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.

14. INCOME TAX *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong Profits Tax		
Current year	**2,789**	564
PRC EIT		
Current year	**—**	114,884
Overprovision in prior years	**—**	(10)
	—	114,874
PRC LAT	**1,581**	122,220
	4,370	237,658
Deferred tax *(Note 33)*	**(17,353)**	(26,587)
Income tax (credit) expenses	**(12,983)**	211,071

	2023 HK$'000	2022 HK$'000
Reconciliation of income tax (credit) expenses		
(Loss) Profit before tax	**(371,436)**	397,490
Tax at the statutory tax rates of different jurisdictions	**(93,879)**	103,146
Lower tax rate enacted by local authorities	**(165)**	(165)
LAT	**1,581**	122,220
EIT effect of LAT	**(338)**	(30,527)
Income not subject to tax	**(1,454)**	(656)
Expenses not deductible for tax	**27,371**	9,803
Tax losses not recognised	**53,901**	7,260
Overprovision in prior years	**—**	(10)
Income tax (credit) expenses	**(12,983)**	211,071

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since 31 December 2023 (2022: Nil).

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

The calculation of the basic (loss) earnings per share is based on the (loss) profit 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 2023 and 2022.

For the year ended 31 December 2023, the calculation of the diluted loss per share (2022: diluted earnings per share) was based on the loss for the year (2022: profit for the year) attributable to equity holders of the Company. 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 2023. 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. 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 (loss) earnings per share calculation, and the weighted average number of ordinary shares is assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2023	2022
	HK$'000	HK$'000
(Loss) Earnings:		
(Loss) Profit for the year attributable to equity holders of the Company, used in the basic and diluted (loss) earnings per share calculation	**(302,064)**	106,448

	Number of shares	
	2023	2022
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss) earnings per share calculation	**667,525,230**	667,525,230

17. SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered ordinary share capital	Percentage of equity interest attributable to the Company[@] Direct	Percentage of equity interest attributable to the Company[@] Indirect	Principal activities
Hainan Baier[#]	The PRC	RMB10,000,000	—	100%	Auction business
KSLF (HK)	Hong Kong	HK$1	—	100%	Auction business
DTXS Silk Road Investment (Hong Kong) Limited	Hong Kong	HK$1,000,000	—	100%	Provision of management services to group companies
DTXS International Wine & Spirits Trade (HK) Company Limited ("DTXS W&S (HK)")	Hong Kong	HK$1	—	95% *(Note (i))*	Trading business
DTXS International Wine & Spirits Trade (SZ) Company Limited* ("DTXS W&S (SZ)") 大唐西市酒業國際貿易（深圳）有限公司[##]	The PRC	RMB5,000,000	—	95% *(Note (i))*	Trading business
Silk Road Online Limited	Hong Kong	HK$1	—	— (2022: 100%) *(Note 45)*	Trading business
Xian Silk Road Commercial Consultancy Company Limited* 西安絲綢之路商務信息諮詢有限公司[##]	The PRC	RMB40,000,000	—	100%	Properties investment
Wealthy Forest-Puy Bardens SAS ("Wealthy Forest SAS")	France	Euro 4,630,000	—	95% *(Note 45)*	Vineyard business
Xian Da Tang Xi Shi Enterprise Limited* ("DTXS Enterprise") 西安大唐西市實業有限公司	The PRC	RMB166,500,000	—	70%	Properties development
DTXS Art & Culture CBD Company Limited	BVI	United States Dollar 1	—	100%	Investment holding

17. SUBSIDIARIES *(Continued)*

Note:

(i) On 4 February 2022, the Group's subsidiary, DTXS Fine Wine Holdings Limited ("DTXS Fine Wine"), which is established in the BVI, an intermediate holding company of DTXS W&S (HK), DTXS W&S (SZ) and Wealth Forest SAS, issued 5 additional shares to an independent shareholder for USD 5, which constitute 5% shareholdings of DTXS Fine Wine and became NCI of the Group. This constitutes a partial disposal of interest in DTXS Fine Wine, and a gain on deemed disposal of approximately HK$1,166,000 was recorded in other reserve against the NCI include in equity.

* *For identification purpose only.*

\# Registered as a domestic limited liability company under the PRC law and controlled by the Group through certain structured agreements as detailed in Note 2 to the consolidated financial statements.

\## Registered as a wholly-foreign-owned enterprise under the PRC law.

@ Unless otherwise stated, the percentage of equity interested stated represented the Company's effective interest at 31 December 2023 and 2022.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group for the years ended 31 December 2023 and 2022. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to the non-wholly owned subsidiary that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	DTXS Enterprise	
	2023	2022
Proportion of NCI's ownership interests	**30%**	30%

17. SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI *(Continued)*

	2023 HK$'000	2022 HK$'000
Current assets	**2,749,096**	2,618,545
Non-current assets	**49,598**	66,075
Current liabilities	**(2,495,717)**	(1,371,062)
Non-current liabilities	**(10,990)**	(823,299)
Net assets	**291,987**	490,259
Carrying amount of NCI	**87,596**	147,078
Revenue/Income	**17,502**	1,099,891
Expenses	**(203,212)**	(832,501)
(Loss) Profit for the year	**(185,710)**	267,390
Other comprehensive expenses	**(13,004)**	(26,542)
Total comprehensive (expenses) income	**(198,714)**	240,848
(Loss) Profit for the year attributable to NCI	**(55,713)**	80,217
Total comprehensive (expenses) income attributable to NCI	**(59,614)**	72,245
Dividends paid to NCI	**—**	—
Net cash flows from (used in):		
Operating activities	**125,051**	182,617
Investing activities	**(45)**	(137)
Financing activities	**(199,462)**	(99,351)
Total cash (outflows) inflows, net	**(74,456)**	83,129

18. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets			Owned assets								
	Leasehold land HK$'000	Buildings HK$'000	Sub-total HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and workshop equipment HK$'000	Motor vehicles HK$'000	Buildings HK$'000	Freehold land HK$'000	Bearer plants HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2023												
At 1 January 2023, cost net of accumulated depreciation and impairment	57,282	2,564	59,846	208	208	2,059	279	26,371	1,131	4,123	34,379	94,225
Additions	—	—	—	—	5	—	—	—	—	—	5	5
Depreciation	(1,895)	(1,478)	(3,373)	(108)	(36)	(8)	(98)	(1,300)	—	(102)	(1,652)	(5,025)
Impairment losses *(Note)*	(14,290)	—	(14,290)	—	—	(732)	—	(2,852)	(328)	(1,253)	(5,165)	(19,455)
Transfer to non-current assets classified as held for sale	—	—	—	—	—	(1,691)	—	(6,592)	(757)	(2,896)	(11,936)	(11,936)
Exchange realignment	(1,556)	—	(1,556)	—	(113)	391	(5)	(484)	(46)	128	(129)	(1,685)
At 31 December 2023, cost net of accumulated depreciation and impairment	39,541	1,086	40,627	100	64	19	176	15,143	—	—	15,502	56,129
At 31 December 2023												
Cost	66,764	2,958	69,722	217	1,694	227	5,132	18,958	—	—	26,228	95,950
Accumulated depreciation and impairment	(27,223)	(1,872)	(29,095)	(117)	(1,630)	(208)	(4,956)	(3,815)	—	—	(10,726)	(39,821)
Net carrying amount	39,541	1,086	40,627	100	64	19	176	15,143	—	—	15,502	56,129
31 December 2022												
At 1 January 2022, cost net of accumulated depreciation and impairment	64,037	7,104	71,141	164	254	2,078	754	29,478	1,198	4,683	38,609	109,750
Additions	—	2,958	2,958	217	14	104	—	—	—	—	335	3,293
Termination of leases	—	(4,315)	(4,315)	—	—	—	—	—	—	—	—	(4,315)
Depreciation	(1,995)	(3,143)	(5,138)	(131)	(45)	(3)	(450)	(1,215)	—	(279)	(2,123)	(7,261)
Deregistration of a subsidiary	—	—	—	(35)	—	—	—	—	—	—	(35)	(35)
Exchange realignment	(4,760)	(40)	(4,800)	(7)	(15)	(120)	(25)	(1,892)	(67)	(281)	(2,407)	(7,207)
At 31 December 2022, cost net of accumulated depreciation and impairment	57,282	2,564	59,846	208	208	2,059	279	26,371	1,131	4,123	34,379	94,225
At 31 December 2022												
Cost	68,763	5,952	74,715	217	2,464	2,753	5,265	34,752	1,131	5,685	52,267	126,982
Accumulated depreciation and impairment	(11,481)	(3,388)	(14,869)	(9)	(2,256)	(694)	(4,986)	(8,381)	—	(1,562)	(17,888)	(32,757)
Net carrying amount	57,282	2,564	59,846	208	208	2,059	279	26,371	1,131	4,123	34,379	94,225

Note:

At 31 December 2022, the Group had property, plant and equipment of approximately HK$17,607,000 related to the cash-generating unit of the Winery and Trading Division. Given the Winery and Trading Division was loss making during the year ended 31 December 2022, impairment assessment has been performed. No impairment loss was recognised for the year ended 31 December 2022. The recoverable amount was determined based on the fair value less costs of disposal, using a market approach, which took into account current prices of these property, plant and equipment of similar locations and conditions and such fair value measurement was categorised within Level 3 of the fair value hierarchy.

As detailed in Note 46 to the consolidated financial statements, entire equity interest of Wealthy Forest SAS was disposed subsequent to 31 December 2023 and the property, plant and equipment of approximately HK$11,936,000 representing the plant machinery and workshop equipment, buildings, freehold land and bearer plants owned by Wealthy Forest SAS, which was carried at fair value less cost to sell, were classified as held for sale at 31 December 2023. There is no remaining property, plant and equipment related to the cash-generating unit of the Winery and Trading Division at 31 December 2023.

19. INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**43,012**	47,736
Change in fair value recognised in profit or loss	**(6,639)**	(1,166)
Exchange realignments	**(1,205)**	(3,558)
Carrying amount at 31 December	**35,168**	43,012

The Group's investment properties consist of commercial properties situated in Mainland China.

The Group's investment properties were revalued on 31 December 2023 based on valuation performed by Asset Appraisal Limited ("Asset Appraisal"), independent professional qualified valuer, at approximately HK$35,168,000 (2022: approximately HK$43,012,000). The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

The investment properties are leased to a related party under an operating lease, further details of which are included in Notes 20 and 40 to the consolidated financial statements.

Fair value hierarchy

For the years ended 31 December 2023 and 2022, the fair value measurement of investment properties of the Group was categorised within Level 3 of the fair value hierarchy.

During the years ended 31 December 2023 and 2022, there were no transfers into or out of Level 3.

Set out below is a summary of the valuation technique used and the key input to the valuation of investment properties:

Assets	Valuation technique	Unobservable inputs	Weighted average
Commercial properties	Direct comparison	Selling price (per square meter)	HK$41,103 (2022: HK$52,401)

A significant increase (decrease) in the selling price per square meter in isolation would result in a significant higher (lower) fair value of the investment properties.

20. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Certain purchased buildings were developed on leased land and lump sum payments were made upfront to acquire the buildings with the land use rights with lease periods of 50 years and no ongoing payments will be made under the terms of these land leases. Leases of other buildings generally have lease terms of 2 years.

20. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets (included in property, plant and equipment) and the movements during the years are as follows:

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
At 1 January 2023	**57,282**	**2,564**	**59,846**
Depreciation	**(1,895)**	**(1,478)**	**(3,373)**
Impairment losses	**(14,290)**	**—**	**(14,290)**
Exchange realignments	**(1,556)**	**—**	**(1,556)**
At 31 December 2023	**39,541**	**1,086**	**40,627**
At 1 January 2022	64,037	7,104	71,141
Additions	—	2,958	2,958
Termination of leases	—	(4,315)	(4,315)
Depreciation	(1,995)	(3,143)	(5,138)
Exchange realignments	(4,760)	(40)	(4,800)
At 31 December 2022	57,282	2,564	59,846

During the year ended 31 December 2023, the property market and economic in the PRC are in downturn, there is an impairment indicator of the leasehold land located in the PRC. The Group has engaged Asset Appraisal to perform valuation of the recoverable amount of the leasehold land at 31 December 2023.

The recoverable amount of the leasehold land held by the Group is approximately HK$39,542,000 at 31 December 2023, which is lower than the carrying amount of approximately HK$53,832,000. As the result, the Group had provided the impairment loss on property, plant and equipment of approximately HK$14,290,000 for the year ended 31 December 2023.

The recoverable amount was determined based on the fair value less costs of disposal, using a market approach, which took into account current prices of these leasehold land of similar locations and conditions and such fair value measurement was categorised within Level 3 of the fair value hierarchy.

20. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) Right-of-use assets *(Continued)*

Fair value hierarchy

For the years ended 31 December 2023 and 2022, the fair value measurement of leasehold land of the Group was categorised within Level 3 of the fair value hierarchy.

During the years ended 31 December 2023 and 2022, there were no transfers into or out of Level 3.

Set out below is a summary of the valuation technique used and the key input to the valuation of leasehold land:

Assets	Valuation technique	Unobservable inputs	Weighted average
Commercial properties	Direct comparison	Selling price (per square meter)	HK$13,847 — HK$41,103 (2022: HK$15,847 — HK$50,936)

A significant increase (decrease) in the selling price per square meter in isolation would result in a significant higher (lower) recoverable amount of the leasehold land.

(b) Lease liabilities

The carrying amount of lease liabilities (included in trade and other payables) and the movements during the years are as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**2,865**	7,218
New leases	—	2,958
Accretion of interest	**137**	234
Termination of leases	—	(4,503)
Payments	**(1,734)**	(3,042)
Carrying amount at 31 December *(Note 30)*	**1,268**	2,865
Analysed into:		
— Current portion	**1,268**	1,597
— Non-current portion	—	1,268

The maturity analysis of lease liabilities is disclosed in Note 44 to the consolidated financial statements.

20. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**137**	234
Depreciation charge of right-of-use assets	**3,373**	5,138
Expenses relating to short-term leases	**462**	299
Total amount recognised in profit or loss	**3,972**	5,671

(d) The total cash outflow for leases is disclosed in Note 39(c) to the consolidated financial statements.

(e) **Commitments under leases**

At 31 December 2023, the Group was committed to approximately HK$163,000 (2022: approximately HK$432,000) for short-term leases.

The Group as a lessor

The Group leases its investment properties and completed properties held for sale, consisting of commercial properties in Mainland China, under operating lease arrangements. The terms of the lease require the tenants to pay security deposits. Rental income recognised by the Group during the year ended 31 December 2023 was approximately HK$13,364,000 (2022: approximately HK$11,437,000), details of which are included in Notes 7 and 8 to consolidated financial statements.

The assets subject to operating leases are exposed to residual value risk. The lease contracts, as a result, include a provision on redemption of costs on any damage to the underlying assets at the end of the leases.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under the non-cancellable operating lease with its tenants are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**2,302**	1,549

21. INTANGIBLE ASSETS

	License HK$'000	Brands HK$'000	Customer relationship HK$'000	Computer software HK$'000	Total HK$'000
31 December 2023					
Cost at 1 January 2023, net of accumulated amortisation	**—**	**63,229**	**—**	**—**	**63,229**
Amortisation	**—**	**(4,579)**	**—**	**—**	**(4,579)**
Impairment loss	**—**	**(56,844)**	**—**	**—**	**(56,844)**
Exchange realignments	**—**	**(1,806)**	**—**	**—**	**(1,806)**
Net carrying amount	**—**	**—**	**—**	**—**	**—**
At 31 December 2023:					
Cost	**449**	**90,951**	**13,001**	**500**	**104,901**
Accumulated amortisation and impairment loss	**(449)**	**(90,951)**	**(13,001)**	**(500)**	**(104,901)**
Net carrying amount	**—**	**—**	**—**	**—**	**—**
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation	—	73,439	—	—	73,439
Amortisation	—	(4,824)	—	—	(4,824)
Exchange realignments	—	(5,386)	—	—	(5,386)
Net carrying amount	—	63,229	—	—	63,229
At 31 December 2022:					
Cost	462	93,674	13,390	500	108,026
Accumulated amortisation	(462)	(30,445)	(13,390)	(500)	(44,797)
Net carrying amount	—	63,229	—	—	63,229

The remaining amortisation period of brands related to the auction business CGU, which is with finite useful lives, at 31 December 2022 is 13.5 years with carrying amount of approximately HK$63,229,000.

The Group originally planned to hold auctions during the year ended 31 December 2023. However, the Group noticed that the economy in the PRC still not yet recovered and expected that the results from auction would not be profitable to the Group, and thus cancelled the plan of auctions during the year.

At 31 December 2023, considered the recent development in the PRC, the Group expected that the economy in the PRC would not be recovered in short term and thus no plan for auctions in coming year. Therefore, the Group had provided impairment loss in full on goodwill (Note 22) and intangible assets from auction business CGU.

22. GOODWILL

	Auction business HK$'000
Year ended 31 December 2023	
Cost at 1 January 2023, net of accumulated impairment loss	**105,642**
Impairment loss	**(102,572)**
Exchange realignments	**(3,070)**
Net carrying amount	**—**
At 31 December 2023:	
Cost	**163,512**
Accumulated impairment	**(163,512)**
Net carrying amount	**—**
Year ended 31 December 2022	
Cost at 1 January 2022, net of accumulated impairment loss	141,207
Impairment loss	(24,940)
Exchange realignments	(10,625)
Net carrying amount	105,642
At 31 December 2022:	
Cost	166,582
Accumulated impairment	(60,940)
Net carrying amount	105,642

Impairment testing of goodwill

Auction business CGU

The recoverable amount of the auction business CGU at 31 December 2022 has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period, with average growth rate of 5.1%, approved by the Group's senior management. The pre-tax discount rate applied to the cash flow projections is 21.2%. The growth rate used to extrapolate the cash flows of the auction business beyond the five-year period is 2%. The growth rate is based on the relevant industry long term growth rate in the jurisdiction in which the auction business cash-generating unit operates.

22. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Auction business CGU *(Continued)*

Assumptions were used in the value-in-use calculation of the auction business CGU for the year ended 31 December 2022. The following describe each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Forecasted growth rates — The forecasted growth rates are based on the historical operating results, expected market development as well as industry forecasts.
- Forecasted interest income from the consignors — The forecasted interest income from the consignors is based on the balances of the advances to consignors at the end of the reporting period and expectation of future changes of working capital that are available for advances to consignors.
- Discount rate — the discount rate is based on the estimation of the required rate of returns that reflects the current market assessment of the time value of money, general market risk and specific risks relating to the auction business.

During the year ended 31 December 2022, in light of the lockdown of cities in Mainland China resulted from the subsistence of Covid-19 pandemic, the physical auction was difficult to be arranged and held by the Group, which had a negative impact on the actual and forecasted revenue and growth rate of the auction business CGU. Although the management had taken actions on further development on auction business for the coming financial years, the recoverable amount of the auction business CGU was approximately HK$176,079,000. In view of the carrying amount of non-current assets (including goodwill) of auction business CGU was higher than the recoverable amount, goodwill allocated to the auction business CGU was impaired by approximately HK$24,940,000 for the year ended 31 December 2022.

In view of the recent development on the Group's auction business as set out in Note 21 to the consolidated financial statements, the Group had provided impairment loss in full on the goodwill and intangible assets (Note 21) from auction business CGU as at 31 December 2023.

Sensitivity of key assumptions

The management identified the following key assumptions in which a material change on an individual basis would cause any or additional impairment loss at 31 December 2022.

Material changes that individually cause additional impairment loss on the goodwill allocated to the auction business CGU:

Auction business CGU	Change	2022 HK$'000
Forecasted growth rates	Decrease 1%	4,121
Forecasted interest income from the consignors	Decrease 1%	2,204
Discount rate	Increase 1%	5,758

23. FINANCIAL ASSETS AT FVPL

	Notes	2023 HK$'000	2022 HK$'000
Non-current portion:			
— Unlisted equity investment	23(a)	6,924	7,131
Current portion:			
— Listed equity securities	23(b)	—	31
		6,924	7,162

(a) Unlisted equity investment

During the year ended 31 December 2020, loans receivable of RMB6,300,000 (equivalent to approximately HK$7,488,000) was made to an independent third party, which was repayable in 6 months. Upon the expiration of the loans receivable, the independent third party was unable to settle the loans receivable.

On 20 September 2022, the Group signed an agreement with the independent third party and agreed to settle the loans receivable by 5.1% paid-up equity interest of a PRC company owned by the independent third party.

The Group intends to hold the unlisted equity interest in the PRC company for long-term and not for trading. The Group had elected to measure such equity interest at fair value through profit or loss. Remaining registered and unpaid share capital to be paid by the Group in respect of the unlisted equity investment amounted to RMB14,700,000 (equivalent to approximately HK$16,155,000), which is not part of the loan settlement mentioned above.

The unlisted equity investment was evaluated at 31 December 2023 and 2022 based on the amount of the net asset value of the PRC company with proportionate to the shareholding owned by the Group.

(b) Listed equity securities

At 31 December 2022, the listed equity securities are listed in Hong Kong. The fair values of the listed equity securities are determined on the basis of quoted market closing prices available on the relevant stock exchanges at the end of reporting period. During the year ended 31 December 2022, unrealised fair value losses of approximately HK$929,000 have been recorded.

During the year ended 31 December 2023, all the listed equity securities held by the Group had been disposed of and recognised a realised loss of approximately HK$4,000 (2022: Nil).

There were no listed equity securities held by the Group at 31 December 2023.

Details of fair value measurement are disclosed in Note 43 to the consolidated financial statements.

24. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2023 HK$'000	2022 HK$'000
Properties under development		
— Current portion	1,329,790	741,563
— Non-current portion	10,221	25,845
	1,340,011	767,408
Completed properties held for sale		
— Current portion	1,117,641	786,114
	2,457,652	1,553,522
Properties under development		
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	—	—
After one year	1,329,790	741,563
	1,329,790	741,563

The Group's properties under development and completed properties held for sale situated in Mainland China are stated at lower of cost and net realisable value and held on leases with original lease terms between 40 and 70 years.

At 31 December 2023, the Group's properties under development, including the relevant land use rights, of approximately HK$1,329,790,000 (2022: approximately HK$741,563,000) and completed properties held for sale of approximately HK$839,786,000 (2022: approximately HK$664,940,000) were pledged to banks to secure certain interest-bearing borrowings granted to the Group, which is set out in Note 31 to the consolidated financial statements.

25. INVENTORIES

	2023 HK$'000	2022 HK$'000
Wines	**14,706**	14,102
Merchandises and artworks for sales	**18,796**	18,972
	33,502	33,074

26. TRADE AND OTHER RECEIVABLES

	Notes	2023 HK$'000	2022 HK$'000
Trade receivables			
— Receivables from customers		**28,292**	138,662
— Interest receivables		**135,736**	110,795
Loss allowances		**(10,991)**	(27,322)
	26(a)	**153,037**	222,135
Other receivables		**676,262**	1,310,325
Loss allowances		**(19,598)**	(24,772)
	26(b)	**656,664**	1,285,553
		809,701	1,507,688

26. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables

The Group's trade receivables include interest receivables from art financing business, rental receivables from the leasing of investment properties and receivables from the trading of merchandises, wines and properties.

The interest receivables derived from the art financing business are secured by pledged auction items provided by consignors as disclosed in Note 26(b)(i) below. The Group generally requires consignors to settle the interest receivables in accordance with respective contracted terms, normally due monthly or due together with the advances to consignors for the art financing business.

For the sale of merchandises and wines, the Group generally grants credit periods of 30 days upon delivery of goods to customers.

The trade receivables from sale of properties are normally due when the properties were delivered to the customer or in accordance with the terms of the sales and purchase agreement.

The rental receivable is normally billed in advance and due within the billing period.

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing. Except for the pledged auction items related to interest receivables aforementioned, the Group does not hold any collateral or other credit enhancements over its trade receivables.

At 31 December 2023, included in the Group's trade receivables are balance due from a related party amounting to approximately HK$3,347,000 (2022: approximately HK$707,000).

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:

	2023 **HK$'000**	2022 HK$'000
Unbilled *(Note)*	**43,229**	121,156
0–30 days	**1,616**	8,542
31–90 days	**949**	936
91–180 days	**18,561**	12,194
181–360 days	**4,317**	14,904
Over 360 days	**84,365**	64,403
	153,037	222,135

26. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

Note: The unbilled trade receivables balance 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, while the remaining balance represented the interest income derived from art financing business, which will be billed periodically in accordance with contract terms.

All of the receivables from sales of properties are billed to the customers during the year ended 31 December 2023, and no outstanding balance classified as unbilled at 31 December 2023. The unbilled trade receivables balance at 31 December 2023 represented the interest income derived from art financing business only.

The movements in the loss allowances for trade receivables are as follows:

	Note	**2023 HK$'000**	2022 HK$'000
At the beginning of the reporting period		**27,322**	18,119
Impairment losses		**3,322**	9,774
Reversal of impairment loss	*44*	**(5,589)**	—
Disposal of subsidiaries		**(13,833)**	—
Exchange realignments		**(231)**	(571)
At the end of the reporting period		**10,991**	27,322

Details of ECL assessment are disclosed in Note 44 to the consolidated financial statements.

(b) Other receivables

	Notes	**2023 HK$'000**	2022 HK$'000
Advances to consignors for art financing business	*26(b)(i)*	**394,924**	407,031
Interest receivables		**7,006**	6,322
Other receivables		**18,027**	27,814
Deposits		**1,422**	2,994
Prepayments	*26(b)(ii)*	**254,883**	866,164
Loss allowances	*26(b)(iii)*	**(19,598)**	(24,772)
		656,664	1,285,553

26. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables *(Continued)*

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 (2022: 8% to 15%). These advances to consignors for art financing business are generally repayable within a period of 1 year from the draw-down date or 60 days after the pledged auction items are listed in auction.

If pledged auction items are sold in auction, the proceeds received from the buyer, after deducting commission, advances to consignors, related interest and relevant taxes, will be paid to the consignors. If the pledged auction items remain unsold upon the expiration of advances to consignors, the consignors will be required to repay the advances and related interest before the pledged auction items are returned to the consignors. In the event of default as defined in the relevant contracts, the Group has the right to dispose of the pledged auction items. The risk of unrecoverable principal and interest is compensated by the realisable value of these pledged auction items.

During the year ended 31 December 2023, 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, advance to consignors and related interest receivables of approximately HK$328,000 and HK$6,620,000 (2022: related interest receivables of approximately HK$3,599,000), respectively, were written off during the year ended 31 December 2023.

At 31 December 2023 and 2022, the net realisable value of the pledged auction items from the consignors, except for those related to the balances with allowance provided as mentioned in Note 44 to the consolidated financial statements, was higher than the carrying amount of the outstanding balances.

Saved as mentioned above, at 31 December 2023, based on the due dates of the respective receivables, approximately 7.0%, 52.6%, 39.0% and 1.4% (2022: 96.7%, 1.4%, 0.0% and 1.9%) of the advances were not yet due, aged over-due 0–180 days, over-due 180 days and over-due one year, respectively.

(ii) At 31 December 2023, the balance mainly represents prepayments of construction costs for property development of approximately HK$174,356,000 (2022: approximately HK$784,676,000) 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$77,080,000 (2022: approximately HK$78,779,000).

(iii) The movements in the loss allowances for other receivables are as follows:

	2023 **HK$'000**	2022 HK$'000
At the beginning of the reporting period	**24,772**	17,829
Impairment losses	**9,776**	7,228
Disposal of subsidiaries	**(14,749)**	—
Exchange realignments	**(201)**	(285)
At the end of the reporting period	**19,598**	24,772

Details of ECL assessment are disclosed in Note 44 to the consolidated financial statements.

27. LOANS RECEIVABLES

	Note	2023 HK$'000	2022 HK$'000
Unsecured loan			
Loans bear fixed interest rate of 12% per annum, denominated in HK$	27(a)	**13,000**	13,000
Loss allowances		**(13,000)**	(6,500)
		—	6,500

Note:

(a) At 31 December 2021, loans receivable of HK$13,000,000 had been made to an independent third party, which was unsecured, repayable with a term of 1 year and carried interest at a fixed interest rate of 12% per annum. During the year ended 31 December 2022, the loans receivables was extended for further 1 year since the maturity date. At 31 December 2023, the loans receivables was overdue and no repayment was received. The Group had further provided impairment losses of approximately HK$6,500,000 for the year ended 31 December 2023.

The movements in the loss allowances for loans receivables are as follows:

	2023 HK$'000	2022 HK$'000
At the beginning of the reporting period	**6,500**	—
Impairment losses	**6,500**	6,500
At the end of the reporting period	**13,000**	6,500

Details of ECL assessment are disclosed in Note 44 to the consolidated financial statements.

28. RESTRICTED BANK DEPOSITS

According to the relevant mortgage facility agreements entered by DTXS Enterprise with certain banks, DTXS Enterprise is required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. These guarantee deposits will be released after the property ownership certificates of the relevant properties are passed to the banks.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated at the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	**180**	1,489
RMB	**22,647**	101,317
Other currencies	**252**	6
Cash and bank balances	**23,079**	102,812

As at 31 December 2023, the Group had balances amounted to approximately HK$22,647,000 (2022: approximately HK$101,317,000) that were placed with banks in the Mainland China. Remittance of funds out of Mainland China is subject to the exchange controls imposed by the Mainland China government.

30. TRADE AND OTHER PAYABLES

	Notes	2023 HK$'000	2022 HK$'000
Trade payables	*30(a)*	**122,713**	107,287
Accruals		**24,505**	14,521
Lease liabilities	*20(b)*	**1,268**	2,865
Interest payables	*30(b)*	**51,388**	14,610
Other payables	*30(c)*	**191,023**	199,748
Deposits received		**6,934**	7,446
Contract liabilities	*30(d)*	**455,005**	6,767
Receipt in advance		**760**	779
		853,596	354,023
Analysed into:			
— Current portion		**853,596**	352,755
— Non-current portion		**—**	1,268
		853,596	354,023

30. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(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:

	2023 **HK$'000**	2022 HK$'000
0–30 days	**177**	14,683
31–90 days	**782**	7,818
91–180 days	**33,569**	9,056
181–360 days	**3,742**	62,070
Over 360 days	**84,443**	13,660
	122,713	107,287

(b) During the years ended 31 December 2023 and 2022, the Group had agreed with the bank to defer the settlement on certain loan interests of secured bank loans as set out in Note 31 to the consolidated financial statements due to Covid-19 pandemic.

At 31 December 2023, the balance represents the bank loan interest payable for the interest-bearing borrowings drawn down from banks (2022: bank loan interest payable for the interest-bearing borrowings drawn down from banks and other loan interest payable for the other loans drawn down from independent third parties).

(c) At 31 December 2023, other payables include PRC taxes payable incurred from the operations in the PRC and the funds received by the Group from third parties for constructing a replacement area of the construction projects, which would be utilised to net off the construction cost of properties under development when the project is completed, with carrying amount of approximately HK$124,475,000 (2022: approximately HK$127,496,000) and approximately HK$26,485,000 (2022: approximately HK$27,278,000), respectively.

During the year ended 31 December 2021, a sales contract was terminated and the relevant receipt in advance of RMB40,000,000 (equivalent to approximately HK$48,960,000) pending to be refunded to the customer was included in other payables at 31 December 2021. During the year ended 31 December 2022, such balance was partially settled and the remaining balance of RMB26,000,000 (equivalent to approximately HK$29,429,000) was still included in other payables at 31 December 2022. During the year ended 31 December 2023, the remaining balance was fully settled by the Group.

30. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(d) Details of contract liabilities are as follows:

At 31 December 2023 and 2022, contract liabilities are incurred from sales of properties, represented sale proceeds received from customers in connection with the Group's pre-sale of properties. The Group received advances from customers based on billing schedules as established in the sales of properties. Payments are usually received in advance of the performance under the contracts. The contract liabilities will be transferred to profit or loss when the Group's revenue recognition criteria are met.

The movements (excluding those arising from increases and decreases both occurred within the same period) of contract liabilities from contracts with customers within HKFRS 15 during the reporting period are as follows:

	2023 HK$'000	2022 HK$'000
At the beginning of the reporting period	**6,767**	353,951
Recognised as revenue	**—**	(330,107)
Receipt in advance for revenue	**437,150**	23
Interest expenses on financing component of receipt in advance	**14,400**	—
Exchange realignments	**(3,312)**	(17,100)
At the end of the reporting period	**455,005**	6,767

At 31 December 2023, the aggregate amount of transaction price allocated to unsatisfied performance obligations is approximately HK$475,728,000 (2022: approximately HK$7,334,000). The Group expects the transaction price allocated to the unsatisfied performance obligations of approximately HK$473,687,000 (2022: Nil) will be recognised as revenue over one year, and the remaining transaction price amounted to HK$2,041,000 (2022: approximately HK$7,334,000) will be recognised as revenue within one year or less.

31. INTEREST-BEARING BORROWINGS

	Notes	**2023 HK$'000**	2022 HK$'000
Secured bank loans			
— Bank loans bear variable interest rate of 6.60% (2022: 6.95%) per annum ("Bank Loans I")	*(a), (e)*	**615,418**	633,841
— Bank loans bear variable interest rate of 5.85% (2022: 6.3%) per annum ("Bank Loans II")	*(b), (e)*	**658,191**	677,895
— Bank loans bear variable interest rate of 6.00% per annum ("Bank Loans III")	*(c), (e)*	**65,940**	—
		1,339,549	1,311,736
Secured other loans			
— Other loans bear fixed interest rate of 7.98% per annum ("Other Loans I")	*(d), (e)*	**—**	207,534
		1,339,549	1,519,270
Analysed into:			
— Current portion		**1,328,559**	695,971
— Non-current portion		**10,990**	823,299
		1,339,549	1,519,270

Notes:

(a) Bank Loans I bears effective variable interest rate of 6.60% (2022: 6.95%) per annum, which was the loan prime rate published by the People's Bank of China (the "PBC") plus 3.15%, repayable within one year as at 31 December 2023 and is secured by:

(i) properties under development held by the Group with a carrying amount of approximately HK$1,270,554,000 (2022: approximately HK$741,563,000) at 31 December 2023;

(ii) completed properties held by the Group with a carrying amount of approximately HK$18,833,000 (2022: approximately HK$29,696,000) at 31 December 2023;

(iii) properties held by Xi'an Da Tang Xi Shi Property Limited ("DTXS Property"), a company controlled by Mr. Lu Jianzhong, one of the ultimate controlling parties of the Group, with estimated value of approximately HK$1,194,683,000 on the date of inception of Bank Loans I;

(iv) corporate guarantee given by DTXS Property; and

(v) personal guarantee given by an executive director, Mr. Lu Jianzhong.

There are no unutilised banking facilities of Bank Loans I at 31 December 2023 and 2022.

(b) Bank Loans II bears effective variable interest rate of 5.85% (2022: 6.3%) per annum, which was the lending rate quoted by the PBC plus 1.65%, repayable within one year as at 31 December 2023 and is secured by completed properties held by the Group with a carrying amount of approximately HK$820,953,000 (2022: approximately HK$635,244,000) at 31 December 2023.

There are no unutilised banking facilities of Bank Loans II at 31 December 2023 and 2022.

31. INTEREST-BEARING BORROWINGS *(Continued)*

Notes: (Continued)

(c) Bank Loans III bears effective variable interest rate of 6.00% per annum, which was the loan prime rate published by PBC plus 2.55%, repayable within three years as at 31 December 2023. The relevant banking facilities of Bank Loans III granted to the Group is RMB160,000,000 (equivalent to approximately HK$175,840,000), the unutilised banking facilities of Bank Loans III at 31 December 2023 is RMB100,000,000 (equivalent to approximately HK$109,900,000). The banking facilities is secured by:

(i) completed properties held by the Group with a carrying amount of approximately HK$210,667,000 at 31 December 2023;

(ii) properties held by DTXS Property;

(iii) corporate guarantee given by DTXS Property;

(iv) corporate guarantee given by DTXS Investments; and

(v) personal guarantees given by executive directors, Mr. Lu Jianzhong, and Mr. Yang Xingwen and his spouse, and director of DTXS Enterprise and his spouse.

(d) Other Loans I bore fixed interest rate of 7.98% per annum, repayable within one year as at 31 December 2022 and was secured by:

(i) corporate guarantee given by DTXS Investments; and

(ii) personal guarantee given by an executive director, Mr. Lu Jianzhong.

The Other Loans I was fully settled by the Group during the year ended 31 December 2023.

(e) The secured bank loans and other loans are denominated in RMB.

32. BOND PAYABLES

On 22 February 2022, the Company entered into a subscription agreement with an independent third party to issue bonds with coupon interest rate of 8.5% per annum (the "Bonds") in the principal amount of HK$1,200,000 which will mature on the first anniversary of the issue date. The issuance of the Bonds was completed on 19 March 2022. During the year ended 31 December 2023, the Bonds were fully settled and no outstanding balance at 31 December 2023.

33. DEFERRED TAXATION

The movements in deferred tax assets (liabilities) during the years are as follows:

	Tax losses HK$'000	LAT HK$'000	Revaluation of investment properties HK$'000	Fair value adjustments upon acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2022	5,708	11,206	1,435	(18,360)	(11)
Deferred tax (charged) credited to profit or loss	(5,437)	30,527	291	1,206	26,587
Exchange realignments	(271)	(1,731)	(116)	1,347	(771)
At 31 December 2022 and 1 January 2023	—	**40,002**	**1,610**	**(15,807)**	**25,805**
Deferred tax credited to profit or loss	—	**338**	**1,660**	**15,355**	**17,353**
Exchange realignments	—	**(1,165)**	**(58)**	**452**	**(771)**
At 31 December 2023	—	**39,175**	**3,212**	—	**42,387**

	2023 HK$'000	2022 HK$'000
Analysed into:		
Deferred tax assets	**42,387**	41,612
Deferred tax liabilities	—	(15,807)
	42,387	25,805

(a) Tax losses

The Group has tax losses arising in Hong Kong of approximately HK$152,547,000 (2022: approximately HK$148,459,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. These tax losses are subject to approval of the Hong Kong Inland Revenue Department. The Group also has tax losses arising from overseas operations of approximately HK$15,482,000 (2022: approximately HK$13,095,000), subject to approval of the relevant tax bureaus, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of approximately HK$208,561,000 (2022: approximately HK$9,234,000) that will expire in one to five years for offsetting against future taxable profits.

The Group had not recognised deferred tax assets in respect of the tax losses of approximately HK$376,590,000 (2022: approximately HK$170,788,000) at 31 December 2023, as it is not considered probable that there would be sufficient future taxable profits to utilise such amount.

33. DEFERRED TAXATION *(Continued)*

(b) Withholding taxes

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$37,090,000 at 31 December 2022. At 31 December 2023, there is no temporary differences associated with investments in subsidiaries in the PRC.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

	2023 **HK$'000**	2022 HK$'000
Authorised share capital: 5,000,000,000 (2022: 5,000,000,000) ordinary shares of HK$0.5 each	**2,500,000**	2,500,000
Issued and fully paid: 667,525,230 (2022: 667,525,230) ordinary shares of HK$0.5 each	**333,763**	333,763

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants to the Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The Scheme became effective on 6 December 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. As at 31 December 2023, the Scheme had expired and the granted share options are still effective until they were forfeited, exercised or expired.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The maximum number of unexercised share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to directors, chief executive officers or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a vesting period of one to four years and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

On 28 January 2016, 15,500,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. 40% of these share options vest on the first anniversary of the grant date and each of the remaining 30% of these share options vest on the second and third anniversary of the grant date respectively. The exercise price is HK$3.000 per share, which is the closing price of the ordinary shares of the Company on the grant date.

On 12 April 2021, 6,000,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. For 3,000,000 share options, each of 25% of these share options vest after 28 March 2022, 28 March 2023, 28 March 2024 and 28 March 2025 respectively. For 2,000,000 share options, each of 25% of these share options vest after 11 March 2022, 11 March 2023, 11 March 2024 and 11 March 2025 respectively. For the remaining 1,000,000 share options, each of 25% of these share options vest after 2 November 2021, 2 November 2022, 2 November 2023 and 2 November 2024 respectively. The exercise price is HK$4.494, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

On 1 September 2021, 1,500,000 share options were granted to an eligible participant with a valid period of 10 years from the grant date. Each of the 25% of these share options vest on 31 August 2022, 31 August 2023, 31 August 2024 and 31 August 2025 respectively. The exercise price is HK$4.494, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The following share options were outstanding under the Scheme during the year:

	2023		2022	
	Weighted average exercise price HK$ per share	**No. of options '000**	Weighted average exercise price HK$ per share	No. of options '000
At 1 January	**3.293**	**12,750**	3.631	17,750
Forfeited	**4.494**	**(2,500)**	4.494	(5,000)
At 31 December	**3.000**	**10,250**	3.293	12,750

The exercise prices and exercisable periods of the share options outstanding at the end of the reporting period are as follows:

2023

Number of options '000	**Exercise price HK$**	**Exercise period**
10,250	**3.000**	**28 January 2017–27 January 2026**

2022

Number of options '000	Exercise price HK$	Exercise period
10,250	3.000	28 January 2017–27 January 2026
1,000	4.494	3 November 2021–11 April 2031
1,500	4.494	31 August 2021–31 August 2031

The fair value of equity-settled share options granted under the Scheme was estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	**28 January 2016**
Dividend yield (%)	0
Expected volatility (%)	43.56
Risk-free interest rate (%)	1.69
Exit rates of the grantees (%)	0
Fair value at measurement date (HK$'000)	22,750
Exercise price (HK$)	3.000

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Before considering any forfeited shares options as set out below, the Group recognised a share-based expenses of approximately HK$595,000 (2022: approximately HK$4,266,000) during the year ended 31 December 2023.

In addition, upon the resignation of certain employees on 31 May 2023 and 20 August 2023 (2022: resignation of the directors of the Company, Ma Chao and Kam Hou Yin John, on 30 June 2023 and 10 November 2023, respectively), share-based expenses of approximately HK$2,144,000 (2022: approximately HK$4,034,000) previously recognised in share option reserve regarding the forfeited share options within the vesting period was reversed in profit or loss during the year ended 31 December 2023, while share-based expenses of approximately HK$1,606,000 (2022: approximately HK$2,551,000) regarding the forfeited share options after vesting period was reversed in accumulated losses during the year ended 31 December 2023.

At 31 December 2023, the Company had 10,250,000 share options (2022: 12,750,000) outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,250,000 additional ordinary shares (2022: 12,750,000) of the Company and additional share capital of approximately HK$5,125,000 (2022: approximately HK$6,375,000) and share premium of approximately HK$40,899,000 (2022: approximately HK$35,610,000) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 10,250,000 share options outstanding under the Scheme, which represented approximately 1.5% of the Company's shares in issue at that date.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) The application of the share premium account and the capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda.

(b) The exchange fluctuation reserve arose from translation of foreign operations, which representing the accumulated difference of translating functional currency of the profit or loss for the reporting period by weighted average exchange rate and the assets and liabilities by exchange rates prevailing at the end of reporting period.

(c) The revaluation reserve arose from the revaluation of owner-occupied properties, classified under "property, plant and equipment", when they were transferred to investment properties. Upon disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

36. RESERVES *(Continued)*

(d) The merger reserve arose from the acquisition of subsidiaries account for the common control combination using the pooling-of-interest method. Such reserve represented the difference between the cash consideration and the carrying amount of the net assets of subsidiaries, excluding NCI, at the completion date.

(e) The other reserve arose from the acquisition of equity interest, which represented the NCI of non-wholly owned subsidiaries. The difference between the consideration and the carrying amount of NCI by reference to the net assets of subsidiaries at the acquisition date is recognised in other reserve.

37. CONTINGENT LIABILITIES

DTXS Enterprise did not comply with certain applicable laws and regulations in the PRC and the terms of the sales contracts with property buyers, in particular, DTXS Enterprise delivered property units of certain projects to property buyers before obtaining the relevant completion certificates from the relevant government authorities and as a result, property buyers are unable to obtain the ownership certificates for the property units they purchased (the "Non-compliance").

As a result of the Non-compliance, DTXS Enterprise is liable to certain surcharges and compensation payable to the property buyers. In the opinion of the directors of the Company, after taking into account the advice from the Group's PRC legal adviser and historical claims made by property buyers, it is not probable that surcharges and compensation would be claimed by property purchasers in connection with the Non-compliance and therefore, no provision is recognised in the consolidated financial statements.

At the end of the reporting period, contingent liabilities in respect of potential claims from property buyers in connection with the Non-compliance are summarised as follows:

	2023 **HK$'000**	2022 HK$'000
Potential claims from property buyers in connection with the Non-compliance	**20**	904

38. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had granted the following financial guarantees:

	Notes	**2023** **HK$'000**	2022 HK$'000
Guarantees in respect of mortgage facilities provided for certain purchasers of DTXS Enterprise's properties	*(a)*	**35,637**	103,190
Guarantee in respect of loan facility provided for a related party	*(b)*	**324,095**	333,911
		359,732	437,101

38. FINANCIAL GUARANTEES *(Continued)*

Notes:

(a) DTXS Enterprise provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of DTXS Enterprise's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, DTXS Enterprise is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction or other appropriate means.

DTXS Enterprise is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties. DTXS Enterprise's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers.

(b) DTXS Enterprise provided a financial guarantee for a bank loan with a principal of RMB300,000,000 (equivalent to HK$329,700,000) obtained by DTXS Property, while the relevant balance of bank loan at 31 December 2023 was RMB294,900,000 (equivalent to HK$324,095,000) (2022: RMB295,000,000 (equivalent to HK$333,911,000)). At the same time, DTXS Investments provided a counter financial guarantee in favour of DTXS Enterprise for its obligations under the said financial guarantee. Further details of the financial guarantee arrangement are set out in the Company's circular dated 21 February 2020.

The directors of the Company do not consider it is probable that a claim will be made against the Group under these guarantees and no provision for any potential obligations has been recognised.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

i. During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately HK$2,958,000 and HK$2,958,000 respectively, in respect of lease arrangements for buildings included in property, plant and equipment.

ii. During the year ended 31 December 2022, the Group had completed a property development project and therefore transferred the properties under development of approximately HK$1,227,944,000 to completed properties held for sale.

iii. During the year ended 31 December 2023, the Group had capitalised prepayments of construction costs of approximately HK$325,441,000 and HK$337,254,000 (2022: approximately HK$65,759,000 and Nil), respectively, into properties under development and completed properties held for sale.

iv. During the year ended 31 December 2023, the Group had transferred property, plant and equipment of approximately HK$8,064,000 (2022: Nil) to non-current assets classified as held for sale with impairment loss of HK$8,960,000 (2022: Nil) as set out in Note 18 to the consolidated financial statements.

v. During the year ended 31 December 2023, the Group had agreed with several parties, including DTXS Investments, to transfer the trade receivables and other receivables of approximately HK$4,041,000 (2022: Nil) and HK$383,585,000 (2022: Nil), respectively, to DTXS Investments as settlement of amount due to DTXS Investments.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

	Bond payables HK$'000	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
2023				
At 1 January 2023	**1,200**	**1,519,270**	**2,865**	**1,523,335**
Inception of interest-bearing borrowings	**—**	**66,390**	**—**	**66,390**
Settlement of bond payables	**(1,200)**	**—**	**—**	**(1,200)**
Changes from financing cash flows	**—**	**(202,877)**	**(1,597)**	**(204,474)**
Foreign exchange movement	**—**	**(43,234)**	**—**	**(43,234)**
Interest expenses	**—**	**—**	**137**	**137**
Interest paid classified as operating cash flows	**—**	**—**	**(137)**	**(137)**
At 31 December 2023	**—**	**1,339,549**	**1,268**	**1,340,817**
2022				
At 1 January 2022	500	1,659,062	7,218	1,666,780
New leases	—	—	2,958	2,958
Issuance of bond payables	1,200	—	—	1,200
Settlement of bond payables	(500)	—	—	(500)
Changes from financing cash flows	—	(15,666)	(2,808)	(18,474)
Termination of leases	—	—	(4,503)	(4,503)
Foreign exchange movement	—	(124,126)	—	(124,126)
Interest expenses	—	—	234	234
Interest paid classified as operating cash flows	—	—	(234)	(234)
At 31 December 2022	1,200	1,519,270	2,865	1,523,335

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 HK$'000	2022 HK$'000
Within operating activities	**599**	533
Within financing activities	**1,597**	2,808
	2,196	3,341

40. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

(a) Transactions with related parties:

(i) During the year ended 31 December 2023, rental income of approximately HK$2,496,000 (2022: approximately HK$2,696,000) was generated from the investment properties leased to a related company controlled by DTXS Investments, at a rate of approximately HK$261 (2022: approximately HK$275) per square metre.

(ii) During the year ended 31 December 2023, the Group had transferred trade receivables and other receivables of approximately HK$4,041,000 and HK$383,585,000 to DTXS Investments as settlement of amount due to DTXS Investments.

(b) Outstanding balances with related parties:

(i) Included in trade and other receivables, approximately HK$3,324,000 (2022: approximately HK$707,000) was the rental receivables due from a related company controlled by DTXS Investments at 31 December 2023.

(ii) Included in other payables, approximately HK$2,528,000 (2022: approximately HK$1,003,000) and HK$10,001,000 (2022: Nil) were the amounts due to a related company controlled by DTXS Investments and DTXS Investments, respectively, at 31 December 2023.

The above mentioned related companies were ultimately controlled by a director, Mr. Lu Jianzhong. The balances were unsecured, interest-free and repayable on demand. During the year ended 31 December 2023, the maximum outstanding balance of (i) was approximately HK$3,324,000 (2022: approximately HK$6,321,000).

40. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

Remuneration for key management personnel, including amounts paid to the directors of the Company as disclosed in Note 12 to the consolidated financial statements, is as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, bonus, allowances and other benefits in kind	**3,019**	6,493
Share-based payment expenses	**—**	(1,515)
Contributions to defined contribution retirement plans	**33**	95
	3,052	5,073

Further details of directors' and the chief executive officers' remuneration are included in Note 12 to the consolidated financial statements.

41. CAPITAL COMMITMENTS

The Company had the following capital commitments at the end of the reporting period:

	2023 **HK$'000**	2022 HK$'000
Construction contracts for properties under development	**491,175**	708,468
Capital injection to unlisted equity investment *(Note 23(a))*	**16,155**	16,639
	507,330	725,107

42. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group at 31 December 2023 and 2022 were financial assets and financial liabilities stated at amortised cost, except for the unlisted equity investment and listed equity securities were financial assets stated at FVPL.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Fair value of investment properties that are measured at fair value

The details of the fair value measurement and hierarchy are included in Note 19 to the consolidated financial statements.

(b) Fair value of other financial assets that are measured at fair value

Financial assets	Fair value at 31 December 2023 HK$'000	2022 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
Financial assets at FVPL					
Unlisted equity investment	**6,924**	7,131	Level 3	Asset-based approach: By reference to net asset value of the investment	The higher the net asset value, the higher the fair value
Listed equity securities — listed in Hong Kong	**—**	31	Level 1	Quoted bid prices in an active market	N/A

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair value of other financial assets that are measured at fair value *(Continued)*

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements in both years. The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy are as follows:

	2023 HK$'000	2022 HK$'000
Financial assets at FVPL — Unlisted equity investment		
At the beginning of the reporting period	**7,131**	7,711
Exchange realignments	**(207)**	(580)
At the end of the reporting period	**6,924**	7,131

(c) Fair value of financial assets and financial liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments measured at amortised cost reasonably approximate to their fair values at the end of the reporting period.

Management has assessed that the fair values of restricted bank deposits, cash and cash equivalents, financial assets included in trade and other receivables, loans receivables, financial liabilities included in trade and other payables, interest-bearing borrowings and bond payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at FVPL, loans receivables, interest-bearing borrowings, bond payables, restricted bank deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to financial instruments are set out in Note 4 to the consolidated financial statements.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group's business operations are principally in Hong Kong, Mainland China and France. The majority of the business transactions were denominated in respective local currencies and there were only insignificant balances of financial assets and liabilities that were denominated in foreign currencies at 31 December 2023. Hence, the Group is not exposed to significant foreign exchange risk.

The Group has not used any financial instruments to hedge against currency risk. However, management constantly reviews the economic situation and its foreign currency risk profile and monitors its foreign exchange exposure, and will implement appropriate hedging measures in future on significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to interest-bearing borrowings carried at variable rates. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year, and assumed the interest expenses are eligible to be capitalised as cost of properties under development.

If interest rates had been 50 basis point (2022: 50 basis point) higher/lower and all other variables were held constant, the Group's properties under development would increase/decrease by approximately HK$6,791,000 (2022: approximately HK$6,650,000). This was mainly attributable to the exposure to interest rates on its variable-rate interest-bearing borrowings of the Group.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade with credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

At 31 December 2023 and 2022, the Group's maximum exposure to credit risk is limited to the carrying amounts of the Group's financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with advances to consignors and related interest receivables for the art financing business are mitigated because they are secured by the pledged auction items as discussed below.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. At the end of the reporting period, the Group has a concentration of credit risk arising from trade receivables as approximately 11% (2022: 26%) of the total trade receivables were due from the Group's largest customer and approximately 46% (2022: 51%) of the total trade receivables were due from the Group's five largest customers.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Impairment assessment of trade and other receivables

Trade receivables — receivables from customers

In respect of the receivables from customers included in trade receivables, an impairment analysis is performed at the end of each reporting period using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, related trade receivables are written off if past due for more than one year and are subject to enforcement activity.

During the year ended 31 December 2023, the trade receivables derived from Property Development Division which already provided with full provision of ECL was recovered by receiving the settlement of approximately HK$1,548,000 and transferring the trade receivables to DTXS Investments of approximately HK$4,041,000, in which lead to the reversal of impairment loss of approximately HK$5,589,000.

Set out below is the information about the credit risk exposure on the Group's trade receivables that using a provision matrix:

Winery and Trading Division

		Past due			
	Current	Less than 3 months	Over 3 months	Credit-impaired	Total
31 December 2023					
ECL rate	**0%**	**0%**	**1.8%**	**100.0%**	
Gross carrying amount (HK$'000)	**24**	**27**	**676**	**4,724**	**5,451**
Expect credit losses (HK$'000)	**—**	**—**	**12**	**4,724**	**4,736**
31 December 2022					
ECL rate	0%	0%	17.1%	100.0%	
Gross carrying amount (HK$'000)	134	43	2,290	15,645	18,112
Expect credit losses (HK$'000)	—	—	392	15,645	16,037

Property Development Division

		Past due			
	Current	Less than 3 months	Over 3 months	Credit-impaired	Total
31 December 2023					
ECL rate	**0%**	**0%**	**0.1%**	**100.0%**	
Gross carrying amount (HK$'000)	**—**	**—**	**17,096**	**2,321**	**19,417**
Expect credit losses (HK$'000)	**—**	**—**	**19**	**2,321**	**2,340**
31 December 2022					
ECL rate	0%	0%	0%	100.0%	
Gross carrying amount (HK$'000)	112,266	—	—	7,471	119,737
Expect credit losses (HK$'000)	—	—	—	7,471	7,471

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Impairment assessment of trade and other receivables *(Continued)*

Trade receivables — receivables from customers *(Continued)*

Arts and Cultural Division

		Past due			
	Current	Less than 3 months	Over 3 months	Credit-impaired	Total
31 December 2023					
ECL rate	**0%**	**0%**	**0%**	**100.0%**	
Gross carrying amount (HK$'000)	**220**	**659**	**2,444**	**102**	**3,425**
Expect credit losses (HK$'000)	**—**	**—**	**—**	**102**	**102**

If the ECL rates on the trade receivables, other than those receivables already fully provided with ECL, had been 1% higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been approximately RMB211,000 (2022: approximately RMB1,147,000) higher (lower).

Advances to consignors and related interest receivables included in trade receivables

In respect of advances to consignors for the art financing business and related interest receivables, at 31 December 2023, the balances that were overdue amounted to approximately HK$181,730,000 (2022: approximately HK$25,453,000).

The balances are either repayable upon the pledged auction items dealt through auction successfully or repayable within 12 months from the date of advance in accordance with the respective agreements. As part of the Group's risk management policy, the amount advanced to consignors generally is less than 40% of the estimated fair value of their pledged auction items. The Group reviews the credit loss of advance balances individually and regularly. Before acceptance of the pledged auction items, the Group involves internal experts to prove the authenticity and estimate the value of the pledged auction items. As part of this review, the Group considers the fair value movement of the pledged auction items and monitors the credit risk of the consignors. In the opinion of the directors of the Company, there has been no significant deterioration in the fair value of the pledged auction items during the current or prior years.

An impairment analysis is performed at the end of the reporting period, which are estimated by applying the probability of default approach with reference to its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group measures the provision for credit loss equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The amount of ECL provided takes into account the fair value of the pledged auction items. The Group had engaged internal and external art expert to evaluate the fair value of the pledged auction items annually.

At 31 December 2022, the Group has provided ECL of approximately HK$2,708,000 and HK$3,813,000 for the advances and related interest receivables of a consignor, respectively, as the outstanding advances and related interest receivables of this consignor exceed the net realisable value of the related pledged auction items. There was no change of the situation on the outstanding advance and related interest receivables during the year ended 31 December 2023.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Impairment assessment of trade and other receivables *(Continued)*

Advances to consignors and related interest receivables included in trade receivables *(Continued)*

At 31 December 2023, the Group has not provided any ECL for advances to consignors and interest receivables, as in the opinion of the directors of the Company, the fair value of the pledged auction items exceeds the outstanding advances and related interest receivables on an individual basis.

Other receivables

In respect of other receivables other than the aforesaid, the management of the Group makes individual assessment on the recoverability of these financial assets based on credit risk assessment and historical settlement records and past experience, if any, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The ECL which are estimated by applying the probability of default approach with reference to the risks of default of the debtors or comparable companies and adjusted for forward-looking adjustments.

In previous years, the Group had taken legal actions to certain debtors with outstanding gross balance of approximately HK$14,750,000. The Group had considered those outstanding balances were credit-impaired and provided with lifetime ECL in full amount of approximately HK$14,750,000 during the year ended 31 December 2022. The relevant receivables was disposed together with the disposed subsidiaries during the year, and there is no outstanding balance for such receivables at 31 December 2023.

Other than the other receivables mentioned above, at 31 December 2023, the Group has provided ECL of approximately HK$16,890,000 (2022: approximately HK$7,314,000) for the debtors with significantly increased credit risk.

Loans receivables

In respect of loans receivables, the management of the Group makes individual assessment on the recoverability of these financial assets based on credit risk assessment and historical settlement records and past experience, if any, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The ECL which are estimated by applying the probability of default approach with reference to the risks of default of the debtors or comparable companies and adjusted for forward-looking adjustments.

At 31 December 2023, the Group had assessed the loans receivables was credit-impaired (2022: credit risk associated with the debtor was significantly increased since the initial recognition), and therefore, the Group has further provided ECL in full of approximately HK$6,500,000 (2022: approximately HK$6,500,000).

Restricted bank deposits and cash and bank balances

The credit risks on restricted bank deposits and cash and bank balances are limited because the counterparties are banks and other financial institution with high credit ratings assigned by international credit-rating agencies.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at 31 December.

The amounts presented are carrying amounts for financial assets.

	12-month ECL	Lifetime ECL			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
At 31 December 2023					
Financial assets included in trade and other receivables	**373,088**	**181,730**	—	**21,114**	**575,932**
Restricted bank deposits	**2,554**	—	—	—	**2,554**
Cash and cash equivalents	**23,079**	—	—	—	**23,079**
	398,721	**181,730**	—	**21,114**	**601,565**
At 31 December 2022					
Financial assets included in trade and other receivables	499,940	26,430	—	115,153	641,523
Loans receivables	—	6,500	—	—	6,500
Restricted bank deposits	2,589	—	—	—	2,589
Cash and cash equivalents	102,810	—	—	—	102,810
	605,339	32,930	—	115,153	753,422

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Total HK$'000
At 31 December 2023				
Trade and other payables (including lease liabilities)	**397,832**	**—**	**—**	**397,832**
Interest-bearing borrowings	**1,875,429**	**46,632**	**11,323**	**1,933,384**
Financial guarantee contract *(Note)*	**324,095**	**—**	**—**	**324,095**
	2,597,356	**46,632**	**11,323**	**2,655,311**
At 31 December 2022				
Trade and other payables (including lease liabilities)	345,347	1,301	—	346,648
Interest-bearing borrowings	791,321	844,130	—	1,635,451
Bond payables	1,302	—	—	1,302
Financial guarantee contract *(Note)*	333,911	—	—	333,911
	1,471,881	845,431	—	2,317,312

Note: The amount included above for financial guarantee contracts are the maximum amounts of the guarantees, shown in the earliest periods in which the guarantees could be called. As set out in Note 38(b) to the consolidated financial statements, DTXS Investments provided a counter financial guarantee in favour of DTXS Enterprise for its obligation under the said financial guarantee. Based on the assessments at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against DTXS Enterprise under these guarantees.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital structure in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

45. DISPOSAL OF SUBSIDIARIES

On 30 June 2023, DTXS Silk Road Investment Development Co Ltd, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of the entire equity interests in Silk Road Online Holdings Limited and its subsidiaries at a total cash consideration of HK$1. The net assets of Silk Road Online Holdings Limited and its subsidiaries at the date of disposal were as follows:

	At 30 June 2023 HK$
Consideration received:	
Cash received	1

	At 30 June 2023 HK$'000
Analysis of assets and liabilities over which control was lost:	
Cash and cash equivalent	4
Trade and other payables	(7,265)
Net liabilities disposed of	(7,261)
Gain on disposal of subsidiaries:	
Consideration received	—*
Net liabilities disposed of	7,261
Gain on disposal of subsidiaries	7,261
Net cash outflow arising on disposal:	
Cash consideration	—
Less: Cash and cash equivalent disposed of	(4)
	(4)

* Represent amount less than HK$1,000.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Property, plant and equipment	**—**	—
Investments in subsidiaries	**854,758**	1,145,233
	854,758	1,145,233
Current assets		
Other receivables	**23**	990
Cash and bank balances	**2**	2
	25	992
Current liabilities		
Other payables	**4,783**	2,358
Bond payables *(Note 32)*	**—**	1,200
	4,783	3,558
Net current liabilities	**(4,758)**	(2,566)
Total assets less current liabilities	**850,000**	1,142,667
NET ASSETS	**850,000**	1,142,667
Capital and reserves		
Share capital *(Note 34)*	**333,763**	333,763
Reserve *(Note)*	**516,237**	808,904
TOTAL EQUITY	**850,000**	1,142,667

The statement of financial position was approved and authorised for issue by the Board of Directors on 29 April 2024 and signed on its behalf by

Huang Dahai
Director

Wong Kwok Tung Gordon Allan
Director

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000 (Note 36(a))	Capital redemption reserve HK$'000 (Note 36(a))	Contributed surplus* HK$'000	Share option reserve HK$'000 (Note 35)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	1,569,891	1,264	21,689	20,746	(799,966)	813,624
Loss for the year	—	—	—	—	(4,952)	(4,952)
Transfer of share option reserve upon the forfeiture of share options after vesting date *(Note 35)*	—	—	—	(2,551)	2,551	—
Equity-settled share option arrangements *(Note 35)*	—	—	—	232	—	232
At 31 December 2022 and 1 January 2023	**1,569,891**	**1,264**	**21,689**	**18,427**	**(802,367)**	**808,904**
Loss for the year	**—**	**—**	**—**	**—**	**(291,118)**	**(291,118)**
Transfer of share option reserve upon the forfeiture of share options after vesting date *(Note 35)*	**—**	**—**	**—**	**(1,606)**	**1,606**	**—**
Equity-settled share option arrangements *(Note 35)*	**—**	**—**	**—**	**(1,549)**	**—**	**(1,549)**
At 31 December 2023	**1,569,891**	**1,264**	**21,689**	**15,272**	**(1,091,879)**	**516,237**

* The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation in prior years, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently meet.

47. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

At 31 December 2023, DTXS Fine Wine had been in negotiation with an independent third party for disposal of entire interest in Wealthy Forest Limited, the wholly owned subsidiary of DTXS Fine Wine, and its subsidiaries, including Wealthy Forest SAS which owned a wine yard Chateau Puy Bardens located at Bordeaux in France. On 5 March 2024, DTXS Fine Wine had entered into a sales and purchase agreement with an independent third party for the above disposal at a consideration of approximately HK$10,000,000. After the disposal, the Group had disposed the entire equity interest of the vineyard business. The related non-current assets of approximately HK$11,936,000 were classified as non-current assets held for sale at 31 December 2023 after impairment loss of approximately HK$5,165,000 recognised in profit or loss for the year ended 31 December 2023.

(b) Extension of interest-bearing borrowings

On 12 April 2024, the Group had signed extension agreements with bank for extension of interest-bearing borrowings of approximately HK$615,418,000 for two and half years from April 2024 to October 2026.

Five-Year Financial Summary

A summary of the results of the Group and of its assets and liabilities for the last five financial periods as extracted from the audited financial statements is set out below:

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**44,493**	1,134,264	107,404	193,181	235,421
(LOSS) PROFIT BEFORE TAX	**(371,436)**	397,490	(28,520)	13,363	(19,395)
Income tax credits (expenses)	**12,983**	(211,071)	(5,845)	1,556	(2,384)
(Loss) Profit for the year from continuing operations	**(358,453)**	186,419	(34,365)	14,919	(21,779)
Profit (Loss) for the year from discontinued operations	**—**	—	—	15,319	29,946
(LOSS) PROFIT FOR THE YEAR	**(358,453)**	186,419	(34,365)	30,238	8,167
(Loss) Profit for the year attributable to:					
Equity holders of the Company	**(302,064)**	106,448	(33,656)	32,556	10,286
Non-controlling interests	**(56,389)**	79,971	(709)	(2,318)	(2,119)
	(358,453)	186,419	(34,365)	30,238	8,167

	At 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**3,479,032**	3,561,067	3,643,075	2,464,643	1,394,006
Total liabilities	**(2,504,350)**	(2,206,471)	(2,418,848)	(1,222,927)	(121,189)
Net assets	**974,682**	1,354,596	1,224,227	1,241,716	1,272,817

Note:

The disposal of the UDL Ventures Group and the Digital Mind Group for the years ended 31 December 2019, respectively, constituted discontinued operations.