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DTXS Silk Road Investment Holdings Company Limited

大唐西市絲路投資控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of DTXS Silk Road Investment Holdings Company Limited (the “Company”) announces the annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers	5	147,032	195,304
Interest income from advances to consignors	5	43,613	39,451
Gross rental income	5	2,536	666
		<u>193,181</u>	<u>235,421</u>
Other income	6	19,173	3,181
Costs of inventories sold		(111,272)	(176,768)
Auction and related services costs		—	(5,508)
Staff costs		(40,602)	(21,794)
Depreciation and amortisation expenses		(22,226)	(18,458)
Other operating expenses		(18,867)	(25,088)
Other gains and losses	8	(3,367)	(10,098)
Finance costs	9	(2,657)	(283)
		<u>13,363</u>	<u>(19,395)</u>
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			
Income tax credits (expenses)	10	1,556	(2,384)

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		14,919	(21,779)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	<i>12(a)</i>	<u>15,319</u>	<u>29,946</u>
PROFIT FOR THE YEAR		<u>30,238</u>	<u>8,167</u>
OTHER COMPREHENSIVE INCOME (EXPENSE)			
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		41,687	(7,839)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Gain on revaluation of property, plant and equipment		—	6,314
Income tax effect		—	(939)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF TAX		<u>41,687</u>	<u>(2,464)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>71,925</u>	<u>5,703</u>
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		32,556	10,286
Non-controlling interests		<u>(2,318)</u>	<u>(2,119)</u>
		<u>30,238</u>	<u>8,167</u>
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		68,437	9,347
Non-controlling interests		<u>3,488</u>	<u>(3,644)</u>
		<u>71,925</u>	<u>5,703</u>
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<i>14</i>		
Basic			
— For profit for the year		<u>HK4.88 cents</u>	<u>HK1.73 cents</u>
— For profit (loss) from continuing operations		<u>HK2.58 cents</u>	<u>HK(3.31) cents</u>
Diluted			
— For profit for the year		<u>HK4.85 cents</u>	<u>HK1.72 cents</u>
— For profit (loss) from continuing operations		<u>HK2.57 cents</u>	<u>HK(3.31) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		113,397	121,656
Investment properties		50,392	52,377
Intangible assets		77,719	80,300
Goodwill		137,111	128,563
Deferred tax assets		15,849	—
Properties under development		19,527	—
Deposit paid for acquisition of subsidiaries	15	—	63,501
		413,995	446,397
CURRENT ASSETS			
Properties under development		1,002,458	—
Completed properties held for sale		176,835	—
Inventories		47,847	49,019
Trade and other receivables	15	620,038	515,984
Loans receivable		7,488	—
Restricted bank deposits		2,586	—
Cash and cash equivalents		193,396	350,066
		2,050,648	915,069
Assets of disposal group classified as held for sale		—	32,540
		2,050,648	947,609
CURRENT LIABILITIES			
Trade and other payables	16	410,636	51,329
Interest-bearing borrowings		711,793	—
Tax liabilities		80,170	9,223
		1,202,599	60,552
Liabilities directly associated with assets classified as held for sale		—	31,103
		1,202,599	91,655
NET CURRENT ASSETS		848,049	855,954
TOTAL ASSETS LESS CURRENT LIABILITIES		1,262,044	1,302,351

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables	<i>16</i>	920	8,602
Deferred tax liabilities		19,408	20,932
		<u>20,328</u>	<u>29,534</u>
NET ASSETS		<u>1,241,716</u>	<u>1,272,817</u>
CAPITAL AND RESERVES			
Share capital		333,763	333,730
Reserves		824,603	931,277
Equity attributable to equity holders of the Company		1,158,366	1,265,007
Non-controlling interests		83,350	7,810
TOTAL EQUITY		<u>1,241,716</u>	<u>1,272,817</u>

NOTES

1. GENERAL

DTXS Silk Road Investment Holdings Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and its principal place of business is located at Room 811–817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

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

* *For identification purpose only*

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirement 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 which have been measured at fair value. In addition, disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand, unless otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

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

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

Amendments to HKFRS 16: Covid-19-Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in the current period.

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

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by division. Segment information is disclosed in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the executive directors of the Company, for the purposes of performance assessment and resources allocation.

During the year ended 31 December 2020, as a result of the restructure of internal operation flow and financial information reporting, the Group has determined that the production and sales of wines shall be combined with the trading of merchandises as one operating segment and, therefore, there are three reportable operating segments which are set out below. The comparative figures have been restated accordingly.

- 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 (acquired during the year ended 31 December 2020)

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 year ended 31 December 2020, for performance assessment and resource allocation, the CODM focused on segment revenue and results attributable to each segment, which is measured by reference to respective segment results before tax. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/loss of each segment without allocation of central administration costs, directors' remuneration, gain/loss on disposal of subsidiaries, and certain finance costs.

Continuing operations

	Arts and Cultural Division		Winery and Trading Division		Property Development Division		Total		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (Note 5)												
Revenue from external customers												
— Revenue from contracts with customers under HKFRS 15	29,372	15,117	107,669	180,187	9,991	—	147,032	195,304	—	—	147,032	195,304
— Interest income from advances to consignors	43,613	39,451	—	—	—	—	43,613	39,451	—	—	43,613	39,451
— Gross rental income from investment properties:												
Operating leases — with fixed lease payments	2,536	666	—	—	—	—	2,536	666	—	—	2,536	666
— Intersegment sales	—	—	10	415	—	—	10	415	(10)	(415)	—	—
Revenue from continuing operations	<u>75,521</u>	<u>55,234</u>	<u>107,679</u>	<u>180,602</u>	<u>9,991</u>	<u>—</u>	<u>193,191</u>	<u>235,836</u>	<u>(10)</u>	<u>(415)</u>	<u>193,181</u>	<u>235,421</u>
Segment results*	<u>49,264</u>	<u>20,663</u>	<u>(6,232)</u>	<u>(5,797)</u>	<u>(4,389)</u>	<u>—</u>	<u>38,643</u>	<u>14,866</u>	<u>—</u>	<u>—</u>	<u>38,643</u>	<u>14,866</u>
<i>Reconciliation:</i>												
Unallocated other income											4,290	2,182
Unallocated other gains and losses											7,995	(4,109)
Unallocated corporate and other expenses											(37,565)	(32,334)
Profit (Loss) before tax for the year from continuing operations											<u>13,363</u>	<u>(19,395)</u>

* Segment results are before tax.

(b) Geographical information

The Group's operations are located in Hong Kong, Mainland China and France. The following table sets out information about the geographical locations of (i) the Group's revenue from continuing operations from external customers for the years ended 31 December 2020 and 2019; 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 2020 and 2019. The geographical location of customers is based on the location at which services were provided and goods are delivered and title has passed. The geographical location of property, plant and equipment, investment properties and properties under development is based on the physical location of the assets and the geographical location of goodwill and intangible assets is based on the location of the respective business operations.

	Revenue from external customers		Specified Non-Current Assets	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	167,231	211,254	5,130	16,769
Mainland China	25,355	23,779	370,755	344,424
France	595	388	22,261	21,703
	<u>193,181</u>	<u>235,421</u>	<u>398,146</u>	<u>382,896</u>

(c) Information about major customers

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Winery and Trading Division		
Customer A	38,146	75,858
Customer B	<i>Note</i>	36,635
Customer C	<u>21,203</u>	<u><i>Note</i></u>

Note: The individual customers contributed less than 10% of the total revenue of the Group in the respective reporting periods.

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contracts with customers under HKFRS 15</i>		
Sale of merchandises and wines	107,669	180,716
Sale of properties	9,991	—
Auction and related services	29,372	14,588
	<u>147,032</u>	<u>195,304</u>
<i>Revenue from other sources</i>		
Interest income from advances to consignors	43,613	39,451
Gross rental income from investment properties: Operating leases — with fixed lease payments	2,536	666
	<u>46,149</u>	<u>40,117</u>
Total revenue	<u>193,181</u>	<u>235,421</u>

6. OTHER INCOME

An analysis of other income from continuing operations is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,268	2,272
Compensation for profit guarantee	2,888	—
Government grants	1,021	—
Gross rental income from completed properties held for sale	3,138	—
Interest income from loans receivable	8,214	—
Sundry income	2,644	909
	<u>19,173</u>	<u>3,181</u>

7. PROFIT (LOSS) BEFORE TAX

Profit (Loss) before tax from continuing operations has been arrived at after charging (crediting):

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Staff costs (including the directors' remuneration)		
Salaries, allowances and other benefits in kind	35,134	19,671
Contributions to defined contribution retirement plans	1,340	724
Share-based payment expenses	4,128	1,399
	<u>40,602</u>	<u>21,794</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	5,072	6,242
Less: Amount included in inventory overheads	(1,101)	(1,161)
	<u>3,971</u>	<u>5,081</u>
Depreciation of right-of-use assets	10,775	5,831
Amortisation of intangible assets	7,480	7,546
	<u>22,226</u>	<u>18,458</u>
(c) Other items (included in other operating expenses)		
Auditor's remuneration	1,513	1,893
Legal and professional fees	4,433	7,080
Secretarial and registration fees	781	936
Lease payments not included in the measurement of lease liabilities	148	6,332
	<u>148</u>	<u>6,332</u>

8. OTHER GAINS AND LOSSES

An analysis of other gains (losses) from continuing operations is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment of property, plant and equipment	—	(5,456)
Impairment of trade and other receivables	(3,836)	—
Write off of advances to consignors and related interest receivables	(8,817)	—
Write off of other receivables	(79)	—
Foreign exchange differences, net	13,965	(2,908)
Gain on trading of listed securities	573	—
Fair value loss on investment properties	(5,173)	—
Loss on disposal of subsidiaries	—	(1,734)
	<u>(3,367)</u>	<u>(10,098)</u>

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	425	283
Interest on interest-bearing borrowings	<u>35,873</u>	<u>—</u>
Total borrowing costs	36,298	283
Less: Borrowing costs capitalised into properties under development	<u>(33,641)</u>	<u>—</u>
	<u>2,657</u>	<u>283</u>

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2020 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 2019/2020. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 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% (2019: 25%) for the year ended 31 December 2020.

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

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	3,266	2,338
Overprovision in prior year	<u>(4,747)</u>	<u>—</u>
	(1,481)	2,338
PRC EIT	1,998	1,891
PRC LAT	<u>796</u>	<u>—</u>
	<u>1,313</u>	<u>4,229</u>
Deferred tax	<u>(2,869)</u>	<u>(1,845)</u>
Tax (credits) expenses for the year	<u>(1,556)</u>	<u>2,384</u>

11. BUSINESS COMBINATION UNDER COMMON CONTROL

On 12 March 2020, the Group acquired 100% equity interest in HK DTXS Enterprise Holdings (BVI) Limited (“HK DTXS Enterprise”) and its subsidiaries (collectively referred to as “DTXS Enterprise Group”) at a cash consideration of approximately HK\$212 million from Da Tang Xi Shi International Group Limited (“DTXS International Group”), a direct wholly-owned subsidiary of DTXS Investments since the Group planned to strengthen its exposure in the cultural-related real estate investment and development in the strategically important regions in the PRC. As the Group and DTXS Enterprise Group are under the common control of DTXS Investments before and after the acquisition, the business combination has been accounted as a business combination under common control.

The Group elects to account for the common control combination using the pooling-of-interest method and the results of DTXS Enterprise Group are consolidated by the Group from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The difference between the cash consideration and the carrying amount of the net assets of DTXS Enterprise Group, excluding non-controlling interests, at the completion date is recognised in merger reserve amounting to approximately HK\$179,433,000.

Details of the carrying accounts of the assets and liabilities of DTXS Enterprise Group at the date of acquisition are as follows:

	At 12 March 2020 HK\$'000
Property, plant and equipment	1,753
Deferred tax assets	14,759
Properties under development	866,022
Completed properties held for sale	175,310
Trade and other receivables	32,060
Loans receivable	72,743
Restricted bank deposits	2,422
Cash and cash equivalents	3,632
Trade and other payables	(330,560)
Interest-bearing borrowings	(667,714)
Tax liabilities	(65,852)
	<hr/>
Net assets of DTXS Enterprise Group	104,575
Non-controlling interests	(72,052)
	<hr/>
	32,523
Merger reserve recognised	179,433
	<hr/>
	211,956
	<hr/> <hr/>

12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

(a) Disposal of Engineering Services Division

On 30 December 2019, the Group entered into a sale and purchase agreement to dispose of its entire equity interests in UDL Ventures Limited and its subsidiaries (collectively referred to as the “UDL Group”) to an independent third party, Harbour Front Limited, at a consideration of approximately HK\$16,756,000. The UDL Group carried out all of the Group’s business of the Engineering Service Division.

The results of the UDL Group up till the completion date of the disposal are accounted for as discontinued operation in the Group’s consolidated statement of profit or loss and other comprehensive income. At 31 December 2019, the assets and liabilities attributable to the UDL Group were classified as a disposal group held for sale and as a discontinued operation. The disposal was completed on 3 February 2020.

The results of the UDL Group for the reporting periods are presented below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	—	51,110
Other income	—	27,323
Staff costs	—	(4,191)
Marine engineering, vessel management and related service costs	—	(36,589)
Other gains and losses	—	9
Depreciation and amortisation expenses	—	(2,637)
Other operating expenses	—	(2,693)
Finance costs	—	(2,386)
	<hr/>	<hr/>
Profit for the period from the UDL Group	—	29,946
Gain on disposal of the UDL Group	15,319	—
	<hr/>	<hr/>
Profit for the period from the discontinued operation	15,319	29,946
	<hr/> <hr/>	<hr/> <hr/>

(b) Disposal of subsidiaries for the year ended 31 December 2019

On 1 November 2019, DTXS Technologies Limited, a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of the entire equity interests in DTXS FinTech Holdings Limited and its wholly-owned subsidiary (collectively referred to as the “DTXS Fintech Group”) to the non-controlling interests holder of DTXS Fintech Group for a consideration of HK\$7.8, with a contingent consideration of a royalty fee equal to 30% of the one-time licence fee for grant of use of licence for a period of three years.

On 1 November 2019, DTXS Economic Services Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of the entire equity interests in DTXS PrimeTime Holdings Limited and its wholly-owned subsidiary to the non-controlling interests holder of DTXS Fintech Group for a consideration of HK\$7.8, with a contingent consideration of a US\$600 royalty fee per month per customer for a period of three years representing part of the licence fee earned by this subsidiary.

The net assets disposed of by the Group in the above transactions are as follows:

	At 1 November 2019 <i>HK\$'000</i>
Non-controlling interests	1,917
Property, plant and equipment	2
Other receivables	<u>440</u>
Net assets disposed of	<u>2,359</u>
Loss on disposal of subsidiaries (<i>Note 8</i>)	<u>(1,734)</u>
	<u><u>625</u></u>
Satisfied by:	
Cash	—
Contingent consideration	<u><u>625</u></u>

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

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

The calculation of the basic earnings (loss) per share amounts is based on the profit (loss) for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 667,493,427 (2019: 594,453,839) in issue during the year ended 31 December 2020.

For the years ended 31 December 2020 and 2019, the calculation of the diluted earnings (loss) per share amounts attributable to discontinued operation and for the Group are based on the profit (loss) for the year attributable to equity holders of the Company for the discontinued operation and for the Group. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings (loss) per share calculation, and the weighted average number of ordinary shares is assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings (loss)		
Profit (loss) attributable to equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	17,237	(19,660)
From discontinued operation	<u>15,319</u>	<u>29,946</u>
Profit attributable to equity holders of the Company	<u><u>32,556</u></u>	<u><u>10,286</u></u>
	Number of shares	
	2020	2019
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings (loss) per share calculation	667,493,427	594,453,839
Effect of dilution — weighted average number of ordinary shares: Share options	<u>4,113,013</u>	<u>4,336,858</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings (loss) per share calculation	<u><u>671,606,440</u></u>	<u><u>598,790,697</u></u>

15. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables			
— Receivables from customers		28,325	21,993
— Interest receivables		55,182	36,048
Loss allowances		<u>(3,632)</u>	<u>—</u>
	<i>(a)</i>	<u><u>79,875</u></u>	<u><u>58,041</u></u>
Other receivables			
— Current portion		540,367	457,943
— Non-current portion		—	63,501
Loss allowances		<u>(204)</u>	<u>—</u>
	<i>(b)</i>	<u><u>540,163</u></u>	<u><u>521,444</u></u>
		<u><u>620,038</u></u>	<u><u>579,485</u></u>
Analysed into:			
— Current portion		620,038	515,984
— Non-current portion		<u>—</u>	<u>63,501</u>
		<u><u>620,038</u></u>	<u><u>579,485</u></u>

(a) Trade receivables

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unbilled	6,214	7,623
0–30 days	9,997	32,439
31–90 days	12,574	3,397
91–180 days	15,821	4,412
181–360 days	21,378	6,253
Over 360 days	13,891	3,917
	<u>79,875</u>	<u>58,041</u>

(b) Other receivables

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Advances to consignors for art financing business	<i>(i)</i>	481,036	435,339
Deposit paid for acquisition of subsidiaries	<i>(ii)</i>	—	63,501
Deferred cash consideration arising from disposal of subsidiaries		—	6,726
Interest receivables		8,682	—
Other receivables		18,501	12,594
Deposits		4,749	3,213
Prepayments		27,399	71
Loss allowances		(204)	—
		<u>540,163</u>	<u>521,444</u>
Analysed into:			
— Current portion		540,163	457,943
— Non-current portion		—	63,501
		<u>540,163</u>	<u>521,444</u>

Notes:

- (i) The balance is secured by pledged auction items (Chinese art collectibles and antiques) from consignors and bears interest at fixed interest rates ranging from 8% to 22% per annum (2019: 10% to 24%). These advances to consignors for art financing business are generally repayable within a period of 1 year of the draw-down date or 60 days after the pledged auction items are listed in auction.

During the year ended 31 December 2020, the Group has taken legal action against certain consignors in related to their long outstanding balances while the Group continues to collect these balances. However, in consideration of increasing in credit risk of these advances to consignors and the related interest receivables, approximately HK\$8,817,000 of advances to consignors and related interest receivables are written off during the year ended 31 December 2020.

Saved as mentioned, at 31 December 2020, based on the due dates of the respective receivables, approximately 4.1% (2019: approximately 2.7%) of the advances were aged over 180 days and all the remaining balances were not yet due. No further provision was made on the remaining balances.

- (ii) The balance represents the deposit of RMB57 million (equivalent to approximately HK\$63,501,000) paid to DTXS International Group, an intermediate holding company of the Company, for the acquisition of HK DTXS Enterprise. Details of the acquisition are set out in Note 11.

16. TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	(a)	167,532	2,324
Accruals		8,981	6,236
Lease liabilities		6,966	17,653
Interest payables		46,215	—
Other payables		83,175	33,718
Deposits received		6,993	—
Contract liabilities		90,326	—
Receipt in advance		1,368	—
		<u>411,556</u>	<u>59,931</u>
Analysed into:			
— Current portion		410,636	51,329
— Non-current portion		920	8,602
		<u>411,556</u>	<u>59,931</u>

Note:

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	12,268	524
31–90 days	25,721	298
91–180 days	47,666	16
181–360 days	10,500	444
Over 360 days	71,377	1,042
	<u>167,532</u>	<u>2,324</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group's revenue from continuing operations recorded approximately HK\$193.1 million for the year (2019: HK\$235.4 million), representing a decrease of approximately 18% as compared with 2019, which was mainly due to the decrease in revenue from sales of merchandises. Profit for the year ended 31 December 2020 was approximately HK\$30.2 million (2019: HK\$8.2 million), representing an increase of approximately 268% as compared with 2019.

Arts and Cultural Division

This division, comprising the auction business and the Art Central Business District ("ACBD") business, contributed a segment revenue of approximately HK\$75.5 million (2019: HK\$55.2 million), and a segment profit before tax of approximately HK\$49.3 million (2019: HK\$20.7 million) for the year ended 31 December 2020.

Due to the outbreak of coronavirus disease 2019 ("COVID-19"), large scale auction was not able to be held. Therefore, our operation model had been adjusted, we have focused to host online auctions during the year of 2020. Three online auctions were held in late August and September 2020, covering bronze mirrors, inscriptions on the stone tablets, paintings, calligraphies and old coins. Commission income from previous auctions held of approximately HK\$28.1 million was received in 2020.

The Company had established two ACBD centers in Xi'an and in Hong Kong respectively. The main business functions of these centers are to provide integrated functions of storage, exhibition, auction, promotion and trading of arts and collections. The centers aim to create a strong network with other art and culture partners for hosting events and building relationship. Due to the outbreak of COVID-19, we have closed down the ACBD center in Hong Kong in November 2020 for optimising financial performance.

Winery and Trading Division

During the year ended 31 December 2020, the Group realigned the Winery and e-Commerce divisions to Winery and Trading division to align with the Group's long-term business strategy.

This division, comprising the winery business and trading business, contributed a segment revenue of approximately HK\$107.7 million (2019: HK\$180.2 million), and a segment loss before tax of approximately HK\$6.2 million (2019: HK\$5.8 million) for the year ended 31 December 2020.

In 2020, we cooperate with world-renowned painters and master brewers to develop a sizable product line with characteristics of the winery products of DTXS, which gradually becomes one of the major business of the Group. Although sales plans of wines have been delayed amid the COVID-19 pandemic, we proactively set up various distribution channels and organise wine promotion campaigns in Hong Kong, Mainland China and Europe to create earnings and brand awareness for the Chateau Puy Bardens.

Due to the outbreak of COVID-19, the management has decided to slow down the e-Commerce business, and now is reviewing the strategic positioning and business operations of the trading division.

Property Development Division

This division contributed a segment revenue of approximately HK\$10.0 million (2019: Not applicable) and a segment loss before tax of approximately HK\$4.4 million (2019: Not applicable) for the year ended 31 December 2020.

The properties are located in Tang West Market, Lianhu District in Xi'an City, the People's Republic of China (the "PRC"). Based on the current business plan, the properties have been planned to develop into the Silk Road International Culture Center with comprehensive cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street. Silk Road International Culture Center comprises three office buildings, a shopping mall and a five-star hotel. The three office buildings are estimated to have an aggregate gross floor area of approximately 260,000 sq.m. The pre-sale permits for the two blocks of office buildings were obtained in December 2019 and the pre-sale has begun.

OUTLOOK

Although the Group recorded a profit in the year of 2020, the economic slowdown arisen from the continuous outbreak of COVID-19 as well as geo-political tensions may adversely affect the businesses and operations of the Group. The original scheduled physical auctions in 2020 in Beijing were cancelled. In response to the policy of infection prevention and control of epidemic, number of social gatherings will be reduced to avoid cluster infection, thus affecting the sales of wine. All businesses are under more pressure with the economic slowdown during the year. The Group introduced a new property development business segment in the first quarter of 2020. The Group aims to create

synergy among the existing businesses and the new business. Also, the Group will continue to explore business opportunities by leveraging on the parent group business network and cooperating with its strategic shareholder, New World Development Group.

PROFIT GUARANTEE

As disclosed in the announcement of the Company dated 20 June 2016 and 26 June 2019 regarding the acquisition of the entire issued share capital of China King Sing Lun Fung Auction Holdings Company Limited (“CKSLF”) and its subsidiaries (collectively referred to as the “CKSLF Group”) and the announcement of the Company dated 30 September 2020, the vendors of CKSLF (the “Vendors”) have guaranteed to the Company that the audited consolidated average of the net profit arising from the operating business after tax of the CKSLF Group (the “Average Profit Guarantee”) for each of the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than RMB35.0 million.

Based on the audited accounts of the CKSLF Group, the consolidated net profit arising from the operating business after tax in aggregate for the years ended 31 December 2017, 2018 and 2019 were approximately RMB97.4 million and the average net profit (the “Average Net Profit”) was approximately RMB32.5 million. The Average Net Profit realised by the CKSLF Group for the three financial years ended 31 December 2019 was approximately RMB32.5 million and is approximately 7.2% lower than the Average Profit Guarantee of RMB35.0 million. Accordingly, compensation in the amount of approximately RMB2.5 million in cash would be payable by the Vendors to the Company on a dollar to dollar basis.

On 30 September 2020, the Company received from the Vendors the compensation in the amount of approximately RMB2.5 million, and the Vendors have fully settled their commitment regarding the compensation for the Average Profit Guarantee.

HEDGING, ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

On 29 November 2019, DTXS Silk Road Investment Development Company Limited, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Da Tang Xi Shi International Group Limited, a wholly-owned subsidiary of Da Tang Xi Shi Investments Group Limited* (大唐西市文化產業投資集團有限公司), which is owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen, in respect of the proposed acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited (the “Target Company”) (the “Acquisition”) together with the guarantee arrangements. The Target Company indirectly holds approximately 69.97% of the equity interest of Xi’an Da Tang Xi Shi Enterprise Limited* (西安大唐西市實業有限公司), which is the sole legal and beneficial owner of the properties and land located in the Tang West Market in Xi’an City, Shaanxi

* *For identification purpose only*

Province, the PRC (the “Project”). Therefore, the Target Company owns approximately 69.97% of the equity interest of the Project. The Acquisition was completed on 12 March 2020.

On 30 December 2019, the Company and Harbour Front Limited entered into a sale and purchase agreement, pursuant to which the Company agreed to sell and Harbour Front Limited agreed to purchase the entire issued share capital of UDL Ventures Limited, a direct wholly-owned subsidiary of the Company, and the assignment of the shareholder loan for a consideration of HK\$16,756,000. Such disposal was completed on 3 February 2020.

Save as disclosed above, 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 and acquisition activities were mainly financed by funds raised through subscription of new shares of the Company in August 2019 and internal resources.

As at 31 December 2020, the Group’s total cash and cash equivalents amounted to approximately HK\$193.4 million, representing a decrease of approximately HK\$156.7 million as compared with the bank balances and cash of approximately HK\$350.1 million as at 31 December 2019. The decrease was mainly attributable to the additional financial resources deployed in the art financing business and the Acquisition during the year. As at 31 December 2020, the Group had outstanding secured borrowings of approximately HK\$711.8 million (2019: Nil) and is repayable within one year.

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 44.8% as at 31 December 2020 (2019: Not applicable).

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 2020.

Income and expense items are translated at the average exchange rates for the year ended 31 December 2020. Exchange gain arising from the translation of foreign operations of approximately HK\$41.7 million (2019: exchange loss of approximately HK\$7.8 million) for the year ended 31 December 2020 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 2020, other than outsourcing vendors but including contract workers, the Group has approximately 125 employees (2019: 87) in Hong Kong and the PRC. 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 2020, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$3.1 million (2019: Not applicable); 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\$538.0 million (2019: Not applicable).

CAPITAL COMMITMENT

At 31 December 2020, the Group has capital commitments amounted to approximately HK\$1,343.6 million (2019: HK\$148.7 million).

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Throughout the year under review, the Company has complied with the code provisions (the “Code”) of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), except Code A.6.7.

Code A.6.7 — Given that the independent non-executive directors and other non-executive directors should attend general meetings. Due to other pre-arranged business commitments which had to be attended, one non-executive director of the Company was absent from the annual general meeting held on 29 May 2020. Other non-executive directors and independent non-executive directors of the Company had attended the general meetings to ensure effective communication with shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors and senior management of the Company. Having made specific enquiries to all the directors of the Company, who confirmed their compliance with the required standards as set out in the Model Code for the year ended 31 December 2020.

AUDIT COMMITTEE

The Company established the audit committee (“Audit Committee”) to review and supervise the financial reporting process, risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three members who are all independent non-executive directors of the Company. The Group’s annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company’s auditor, Mazars CPA Limited (“Mazars”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS FOR 2021 AGM

The annual general meeting of the Company will be held on Friday, 28 May 2021 (the “2021 AGM”). For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by not later than 4:30 p.m. on Monday, 24 May 2021.

2020 ANNUAL REPORT

The 2020 annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (www.dtxs.com) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

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

Hong Kong, 31 March 2021

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