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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 2021

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 2021, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers	5	65,822	147,032
Interest income from advances to consignors	5	39,158	43,613
Gross rental income	5	2,424	2,536
		107,404	193,181
Other income	6	10,788	19,173
Costs of inventories sold		(28,147)	(111,272)
Auction and related services costs		(3,978)	—
Staff costs	7(a)	(43,837)	(40,602)
Depreciation and amortisation expenses	7(b)	(16,984)	(22,226)
Other operating expenses		(22,935)	(18,867)
Impairment of trade and other receivables		(31,992)	(3,836)
Other gains and losses	8	2,944	469
Finance costs	9	(1,783)	(2,657)

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
(LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	(28,520)	13,363
Income tax (expenses) credits	10	<u>(5,845)</u>	<u>1,556</u>
(LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		(34,365)	14,919
DISCONTINUED OPERATION			
Profit for the period from discontinued operation		<u>—</u>	<u>15,319</u>
(LOSS) PROFIT FOR THE YEAR		<u>(34,365)</u>	<u>30,238</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>17,374</u>	<u>41,687</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>17,374</u>	<u>41,687</u>
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE YEAR		<u>(16,991)</u>	<u>71,925</u>
(LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		(33,656)	32,556
Non-controlling interests		<u>(709)</u>	<u>(2,318)</u>
		<u>(34,365)</u>	<u>30,238</u>
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		(18,367)	68,437
Non-controlling interests		<u>1,376</u>	<u>3,488</u>
		<u>(16,991)</u>	<u>71,925</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<i>12</i>		
Basic			
— For (loss) profit for the year		<u>HK(5.04) cents</u>	<u>HK4.88 cents</u>
— For (loss) profit from continuing operations		<u>HK(5.04) cents</u>	<u>HK2.58 cents</u>
Diluted			
— For (loss) profit for the year		<u>HK(5.04) cents</u>	<u>HK4.85 cents</u>
— For (loss) profit from continuing operations		<u>HK(5.04) cents</u>	<u>HK2.57 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		109,750	113,397
Investment properties		47,736	50,392
Intangible assets		73,439	77,719
Goodwill		141,207	137,111
Financial assets at fair value through profit or loss		7,711	—
Deferred tax assets		18,349	15,849
Properties under development		22,802	19,527
		<u>420,994</u>	<u>413,995</u>
CURRENT ASSETS			
Properties under development		1,775,340	1,002,458
Completed properties held for sale		168,607	176,835
Inventories		43,554	47,847
Financial assets at fair value through profit or loss		960	—
Trade and other receivables	<i>13</i>	1,189,828	620,038
Loans receivables		13,000	7,488
Restricted bank deposits		2,668	2,586
Cash and cash equivalents		28,124	193,396
		<u>3,222,081</u>	<u>2,050,648</u>
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	645,911	410,636
Interest-bearing borrowings		268,121	711,793
Bond payables		500	—
Tax liabilities		92,102	80,170
		<u>1,006,634</u>	<u>1,202,599</u>
NET CURRENT ASSETS		<u>2,215,447</u>	<u>848,049</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,636,441</u>	<u>1,262,044</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		1,390,941	—
Other payables	<i>14</i>	2,913	920
Deferred tax liabilities		18,360	19,408
		<u>1,412,214</u>	<u>20,328</u>
NET ASSETS		<u>1,224,227</u>	<u>1,241,716</u>
CAPITAL AND RESERVES			
Share capital		333,763	333,763
Reserves		813,801	824,603
Equity attributable to equity holders of the Company		1,147,564	1,158,366
Non-controlling interests		76,663	83,350
TOTAL EQUITY		<u>1,224,227</u>	<u>1,241,716</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*), which is established in the People’s Republic of China (the “PRC”).

* *For identification purpose only*

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in fulfilling the payment obligations. In particular, the Group has taken into consideration of the following matters:

- sale of commercial properties with aggregate consideration of approximately Renminbi (“RMB”) 471,000,000, as detailed in the Company’s announcement dated 13 September 2021, to be completed during the year ending 31 December 2022; and
- the Group expected that the banks and other lenders in regards of the interest-bearing borrowings would not request for repayment earlier than the repayment schedule of the respective agreements.

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

3. CHANGES IN ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions Beyond 30 June 2021</i>

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the reform). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

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 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year.

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

4. OPERATING SEGMENT INFORMATION

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

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

- Arts and Cultural Division — mainly represents auction business and sale of antiques, art financing business and Art Central Business District business
- Winery and Trading Division — mainly represents operation of vineyard, production and sale of wines, trading of merchandises (including electronic devices, cosmetics and other consumer products) and related business
- Property Development Division — mainly represents properties investment and development business

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

(a) Segment results

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

Continuing operations

	Arts and Cultural Division		Winery and Trading Division		Property Development Division		Total		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	7,499	29,372	9,869	107,669	48,454	9,991	65,822	147,032	—	—	65,822	147,032
— Interest income from advances to consignors	39,158	43,613	—	—	—	—	39,158	43,613	—	—	39,158	43,613
— Gross rental income from investment properties:												
Operating leases												
— with fixed lease payments	2,424	2,536	—	—	—	—	2,424	2,536	—	—	2,424	2,536
— Intersegment sales	—	—	—	10	—	—	—	10	—	(10)	—	—
Revenue from continuing operations	<u>49,081</u>	<u>75,521</u>	<u>9,869</u>	<u>107,679</u>	<u>48,454</u>	<u>9,991</u>	<u>107,404</u>	<u>193,191</u>	<u>—</u>	<u>(10)</u>	<u>107,404</u>	<u>193,181</u>
Segment results*	<u>23,603</u>	<u>49,264</u>	<u>(29,008)</u>	<u>(6,232)</u>	<u>4,765</u>	<u>(4,389)</u>	<u>(640)</u>	<u>38,643</u>	<u>—</u>	<u>—</u>	<u>(640)</u>	<u>38,643</u>
<i>Reconciliation:</i>												
Unallocated other income											1,601	4,290
Unallocated other gains and losses											2,981	7,995
Unallocated corporate and other expenses											<u>(32,462)</u>	<u>(37,565)</u>
(Loss) Profit before tax for the year from continuing operations											<u>(28,520)</u>	<u>13,363</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 2021 and 2020; 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 2021 and 2020. 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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	31,761	167,231	6,594	5,130
Mainland China	75,022	25,355	368,911	370,755
France	621	595	19,429	22,261
	<u>107,404</u>	<u>193,181</u>	<u>394,934</u>	<u>398,146</u>

(c) Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Winery and Trading Division		
Customer A	—	38,146
Customer B	—	21,203
	<u>—</u>	<u>59,350</u>

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers under HKFRS 15</i>		
Sale of merchandises and wines	9,869	107,669
Sale of properties	48,454	9,991
Auction and related services	7,499	29,372
	<u>65,822</u>	<u>147,032</u>
<i>Revenue from other sources</i>		
Interest income from advances to consignors	39,158	43,613
Gross rental income from investment properties: Operating leases — with fixed lease payments	2,424	2,536
	<u>41,582</u>	<u>46,149</u>
Total revenue	<u>107,404</u>	<u>193,181</u>

6. OTHER INCOME

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	71	1,268
Compensation for profit guarantee	—	2,888
Government grants	35	1,021
Gross rental income from completed properties held for sale	6,051	3,138
Interest income from loans receivables	4,206	8,214
Sundry income	425	2,644
	<u>10,788</u>	<u>19,173</u>

7. (LOSS) PROFIT BEFORE TAX

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Staff costs (including the directors' remuneration)		
Salaries, bonus, allowances and other benefits in kind	38,321	35,134
Contributions to defined contribution retirement plans	2,901	1,340
Share-based payment expenses	2,615	4,128
	<u>43,837</u>	<u>40,602</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	3,266	5,072
Less: Amount included in inventory overheads	(1,010)	(1,101)
	<u>2,256</u>	<u>3,971</u>
Depreciation of right-of-use assets	8,233	10,775
Amortisation of intangible assets	6,495	7,480
	<u>16,984</u>	<u>22,226</u>
(c) Other items (included in other operating expenses)		
Auditor's remuneration	1,550	1,513
Legal and professional fees	4,541	4,433
Secretarial and registration fees	824	781
Lease payments not included in the measurement of lease liabilities	268	148
	<u>268</u>	<u>148</u>

8. OTHER GAINS AND LOSSES

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

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Write off of advances to consignors and related interest receivables	13(b)(i)	—	(8,817)
Write off of other receivables		—	(79)
Foreign exchange differences, net		6,636	13,965
Gain on trading of listed equity securities		244	573
Unrealised fair value gains on listed equity securities		161	—
Fair value loss on investment properties		(4,097)	(5,173)
		2,944	469

9. FINANCE COSTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	185	425
Interest on bond payables	77	—
Interest on interest-bearing borrowings	73,248	35,873
Total borrowing costs	73,510	36,298
Less: Borrowing costs capitalised into properties under development	(71,727)	(33,641)
	1,783	2,657

10. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2021 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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% (2020: 25%) for the year ended 31 December 2021.

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	180	3,266
Overprovision in prior years	—	(4,747)
	<u>180</u>	<u>(1,481)</u>
PRC EIT		
Current year	1,338	1,998
Overprovision in prior years	(1,234)	—
	<u>104</u>	<u>1,998</u>
PRC LAT	<u>9,159</u>	<u>796</u>
	9,443	1,313
Deferred tax	<u>(3,598)</u>	<u>(2,869)</u>
Income tax expenses (credits)	<u><u>5,845</u></u>	<u><u>(1,556)</u></u>

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

12. (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 (2020: 667,493,427) in issue during the year ended 31 December 2021.

For the year ended 31 December 2021, the calculation of the diluted loss per share for the Group is based on the loss for the year attributable to equity holders of the Company for the Group. Diluted loss per share is the same as the basic loss per share as the potential new ordinary shares have an anti-dilutive effect on the basic loss per share for the year ended 31 December 2021. For the year ended 31 December 2020, the calculation of the diluted earnings per share attributable to discontinued operation and for the Group were based on the profit 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 (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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss) Earnings		
(Loss) Profit attributable to equity holders of the Company, used in the basic (loss) earnings per share calculation:		
From continuing operations	(33,656)	17,237
From discontinued operation	—	15,319
	<u>(33,656)</u>	<u>32,556</u>
(Loss) Profit attributable to equity holders of the Company	(33,656)	32,556
	<u>(33,656)</u>	<u>32,556</u>
	Number of shares	
	2021	2020
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic (loss) earnings per share calculation	667,525,230	667,493,427
Effect of dilution — weighted average number of ordinary shares:		
Share options	3,079,178	4,113,013
	<u>3,079,178</u>	<u>4,113,013</u>
Weighted average number of ordinary shares in issue during the year used in the diluted (loss) earnings per share calculation	670,604,408	671,606,440
	<u>670,604,408</u>	<u>671,606,440</u>

13. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables			
— Receivables from customers		33,403	28,325
— Interest receivables		87,150	55,182
Loss allowances		<u>(18,119)</u>	<u>(3,632)</u>
	<i>(a)</i>	<u>102,434</u>	<u>79,875</u>
Other receivables		1,105,223	540,367
Loss allowances		<u>(17,829)</u>	<u>(204)</u>
	<i>(b)</i>	<u>1,087,394</u>	<u>540,163</u>
		<u>1,189,828</u>	<u>620,038</u>

(a) Trade receivables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled	6,878	6,214
0–30 days	12,426	9,997
31–90 days	3,131	12,574
91–180 days	13,898	15,821
181–360 days	19,530	21,378
Over 360 days	<u>46,571</u>	<u>13,891</u>
	<u>102,434</u>	<u>79,875</u>

(b) Other receivables

	Notes	2021 HK\$'000	2020 HK\$'000
Advances to consignors for art financing business	(i)	445,867	481,036
Interest receivables		6,680	8,682
Other receivables		22,163	18,501
Deposits		2,541	4,749
Prepayments	(ii)	627,972	27,399
Loss allowances		(17,829)	(204)
		<u>1,087,394</u>	<u>540,163</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 15% per annum (2020: 8% to 22%). 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.

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

At 31 December 2021 and 2020, the net realisable value of the pledged auction items from the consignors, except for those related to aforementioned balances written off in the year ended 31 December 2020, was higher than the carrying amount of any outstanding balances.

Saved as mentioned, at 31 December 2021, based on the due dates of the respective receivables, approximately 1.4% (2020: approximately 4.1%) 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) At 31 December 2021, the balance mainly represents prepayments of construction costs for property development of approximately HK\$546,568,000 (2020: approximately HK\$11,831,000) related to the major construction works commenced in the Mainland China during the year, and prepaid PRC taxes related to construction cost for completed properties held for sale and properties under development in the Mainland China of approximately HK\$78,512,000 (2020: approximately HK\$11,534,000).

14. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	(a)	119,038	167,532
Accruals		12,785	8,981
Lease liabilities		7,218	6,966
Interest payables		3,948	46,215
Other payables		142,568	83,175
Deposits received		7,191	6,993
Contract liabilities		353,951	90,326
Receipt in advance		2,125	1,368
		<u>648,824</u>	<u>411,556</u>
Analysed into:			
— Current portion		645,911	410,636
— Non-current portion		2,913	920
		<u>648,824</u>	<u>411,556</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	13,149	12,268
31–90 days	27,067	25,721
91–180 days	32,933	47,666
181–360 days	15,487	10,500
Over 360 days	30,402	71,377
	<u>119,038</u>	<u>167,532</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW, AND PROSPECT

The Group's revenue from continuing operations recorded approximately HK\$107.4 million for the year (2020: HK\$193.1 million), representing a decrease of approximately 44% as compared with 2020, which was mainly due to the decrease in revenue from sales of merchandises and decrease in auction commission income. The Group recorded loss of approximately HK\$34.4 million for the year ended 31 December 2021 as compared with a profit of approximately HK\$30.2 million for the year ended 31 December 2020. The loss for the year ended 31 December 2021 was mainly attributable to the decrease in auction commission income and the allowance for the expected credit losses on trade and other receivables.

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\$49.1 million (2020: HK\$75.5 million), and a segment profit before tax of approximately HK\$23.6 million (2020: HK\$49.3 million) for the year ended 31 December 2021.

Due to the outbreak of coronavirus disease 2019 ("COVID-19"), as well as precautionary measures and pandemic prevention policy adopted by Hong Kong and cities in Mainland China, only two physical auctions were held in Beijing and Hainan Island in January 2021 and June 2021 respectively. The types of auction items are diversified, covering bronze mirrors, inscriptions on the stone tablets, paintings, and calligraphies, etc. Three online auctions were held in the first quarter of 2021 covering bronze mirrors and old coins. The decreases in both segment revenue and segment profit before tax were mainly attributable to the decrease in commission income received in 2021, while there was commission income of approximately HK\$28.1 million received from previous auctions held in the prior periods and recorded in 2020.

The Company had established an ACBD center in Xi'an. The main business functions of the center are to provide integrated functions of 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

The Group had realigned the Winery division and e-Commerce division to Winery and Trading division to align with the Group's long-term business strategy during the year ended 31 December 2020. This division, comprising the winery business and trading business, contributed a segment revenue of approximately HK\$9.9 million (2020: HK\$107.7 million), and a segment loss before tax of approximately HK\$29.0 million

(2020: HK\$6.2 million) for the year ended 31 December 2021. Such increase in the loss was mainly due to the allowance for the expected credit losses on receivables of the trading business as a result of the challenging economic conditions during the year.

Since 2020, we have been cooperating 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. It was encouraging that we received an outstanding 92 points from James Suckling's 2019 tasting report, gold medal and silver medal from Bruelles Global Competition 2021. 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.

Property Development Division

This division contributed a segment revenue of approximately HK\$48.5 million (2020: HK\$10.0 million) and a segment profit before tax of approximately HK\$4.8 million (2020: segment loss of HK\$4.4 million) for the year ended 31 December 2021. The segment revenue and segment profit before tax were mainly attributed to the sales of properties occurred during the year.

The properties are located in Tang West Market, Lianhu District in Xi'an City, the People's Republic of China (the "PRC"). Based on the current business plan, the properties have been planned to develop into the Silk Road International Culture Center with comprehensive cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street. Silk Road International Culture Center comprises three office buildings, a shopping mall and a five-star hotel. The three office buildings are estimated to have an aggregate gross floor area of approximately 260,000 sq.m. On 12 September 2021, a non-wholly-owned subsidiary of the Group has separately entered into property sale agreements with four independent purchasers in relation to the sale of commercial properties (the "Property Sale") located in Tang West Market, Lianhu District in Xi'an City, the PRC with a total gross floor area of approximately 22,982 square metres. The aggregate consideration for the Property Sale is approximately RMB471 million. The sales of properties are transactions of revenue in nature and in the ordinary and usual course of business of the Group. Further details of the sale of properties are set out in the Company's announcement dated 13 September 2021. With the collaboration of the management expertise of the Group, the Group is confident to develop cultural artworks operations and cultural artwork financing businesses after the completion.

OUTLOOK

The economic slowdown arisen from the continuous outbreak of COVID-19 as well as geo-political tensions have adversely affected the businesses and operations of the Group, the Group recorded a loss in the year of 2021. 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 commission income of auctions and the sales of wine. All businesses are under more pressure with the economic slowdown during the year. The Group has been endeavouring to explore any means of cooperation, focusing on development in the cultural industry by leveraging on the business network and resources of the parent company, and to develop businesses in Hainan Island and Xi'an around the cultural industries and business relating to financing, including operations and auction of cultural artworks, participation in the international artwork trading platform, creation and distribution of art collectibles in the form of non-fungible tokens (NFT) and digital artworks (DAW), investment in cultural industrial parks and the development of experience in cultural tourism.

HEDGING, ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group did not (i) employ any financial instruments for hedging purposes; (ii) undertake any material acquisitions or disposals of assets, business or subsidiaries; or (iii) make any significant investments during the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2021, the Group's total cash and cash equivalents amounted to approximately HK\$28.1 million, representing a decrease of approximately HK\$165.3 million as compared with the bank balances and cash of approximately HK\$193.4 million as at 31 December 2020. The decrease was mainly attributable to the additional financial resources deployed in the properties planned to develop into the Silk Road International Culture Center as previously mentioned during the year. As at 31 December 2021, the Group had outstanding secured borrowings of approximately HK\$1,659.1 million (2020: HK\$711.8 million) and is repayable within one month to three years (2020: 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 142.1% as at 31 December 2021 (2020: 44.8%).

SUBSEQUENT EVENT

There were no significant events after the year ended 31 December 2021 and up to the date of this announcement.

FOREIGN EXCHANGE EXPOSURE

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) using exchange rates prevailing at 31 December 2021. Income and expense items are translated at the average exchange rates for the year ended 31 December 2021. Exchange gain arising from the translation of foreign operations of approximately HK\$17.4 million (2020: approximately HK\$41.7 million) for the year ended 31 December 2021 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 2021, other than outsourcing vendors but including contract workers, the Group has approximately 109 employees (2020: 125) 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 2021, the Group had contingent liabilities in respect of (i) potential claims from property buyers in connection with certain non-compliance of approximately HK\$2.4 million (2020: HK\$3.1 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\$537.4 million (2020: HK\$538.0 million).

CAPITAL COMMITMENT

At 31 December 2021, the Group has capital commitments amounted to approximately HK\$870.8 million (2020: HK\$1,343.6 million).

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2021 (2020: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, 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”), and now adopted new Code on 1 January 2022 onwards. The code provision numbers of the Code referred in this announcement are those of the old Code.

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 2021.

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 2021 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 2021 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 2022 AGM

The annual general meeting of the Company will be held on Friday, 27 May 2022 (the "2022 AGM"). For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 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, 23 May 2022.

2021 ANNUAL REPORT

The 2021 annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (www.dtxs.com) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lu Jianzhong (Chairman), Dr. Ma Chao (Executive Vice-Chairman), Mr. Yang Xingwen, Mr. Kam Hou Yin John (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.