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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)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED
31 DECEMBER 2023 AND RESUMPTION OF TRADING**

Reference is made to the announcement of DTXS Silk Road Investment Holdings Company Limited (the “Company”) dated 28 March 2024 in relation to, among others, the delay in publishing the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023.

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that the auditing process for the annual results of the Group for the year ended 31 December 2023 has been completed and that the consolidated financial results of the Group for the year ended 31 December 2023 together with the comparative audited figures for the year ended 31 December 2022 are as follows.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
REVENUE			
Revenue from contracts with customers		8,545	1,096,684
Interest income from advances to consignors		33,452	34,884
Gross rental income		2,496	2,696
		<hr/>	<hr/>
Other income	5	44,493	1,134,264
Costs of inventories sold	6	19,165	12,157
Staff costs	7(a)	(1,910)	(579,281)
Depreciation and amortisation expenses	7(b)	(23,300)	(35,016)
Other operating expenses		(9,191)	(11,485)
Other losses	8	(14,008)	(24,204)
Impairment of trade and other receivables, net		(186,638)	(29,813)
Impairment of loan receivables		(7,509)	(17,002)
Impairment loss on goodwill		(6,500)	(6,500)
Impairment loss on property, plant and equipment		(102,572)	(24,940)
Impairment loss on intangible assets		(19,455)	—
Write off of advances to consignors and related interest receivables from art financing business		(56,844)	—
Finance costs	9	(6,948)	(3,599)
		<hr/>	<hr/>
(LOSS) PROFIT BEFORE TAX	7	(371,436)	397,490
Income tax credit (expenses)	10	12,983	(211,071)
		<hr/>	<hr/>
(LOSS) PROFIT FOR THE YEAR		(358,453)	186,419
		<hr/>	<hr/>
OTHER COMPREHENSIVE EXPENSES			
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(19,912)	(56,739)
		<hr/>	<hr/>
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX		(19,912)	(56,739)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE YEAR		(378,365)	129,680
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
(Loss) Profit for the year			
attributable to:			
Equity holders of the Company		(302,064)	106,448
Non-controlling interests		(56,389)	79,971
		<u>(358,453)</u>	<u>186,419</u>
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
		<u>(378,365)</u>	<u>129,680</u>
(LOSS) EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS			
OF THE COMPANY			
Basic	<i>12</i>	<u>HK(45.25) cents</u>	<u>HK15.95 cents</u>
Diluted		<u>HK(45.25) cents</u>	<u>HK15.95 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		56,129	94,225
Investment properties		35,168	43,012
Intangible assets		—	63,229
Goodwill		—	105,642
Financial assets at fair value through profit or loss		6,924	7,131
Deferred tax assets		42,387	41,612
Properties under development		10,221	25,845
		<u>150,829</u>	<u>380,696</u>
CURRENT ASSETS			
Properties under development		1,329,790	741,563
Completed properties held for sale		1,117,641	786,114
Inventories		33,502	33,074
Financial assets at fair value through profit or loss		—	31
Trade and other receivables	13	809,701	1,507,688
Loans receivables		—	6,500
Restricted bank deposits		2,554	2,589
Cash and cash equivalents		23,079	102,812
		<u>3,316,267</u>	<u>3,180,371</u>
Non-current assets classified as held for sale		11,936	—
		<u>3,328,203</u>	<u>3,180,371</u>
CURRENT LIABILITIES			
Trade and other payables	14	853,596	352,755
Interest-bearing borrowings		1,328,559	695,971
Bond payables		—	1,200
Tax liabilities		311,205	316,171
		<u>2,493,360</u>	<u>1,366,097</u>
NET CURRENT ASSETS		<u>834,843</u>	<u>1,814,274</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>985,672</u>	<u>2,194,970</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		10,990	823,299
Other payables	<i>14</i>	—	1,268
Deferred tax liabilities		—	15,807
		<u>10,990</u>	<u>840,374</u>
NET ASSETS		<u>974,682</u>	<u>1,354,596</u>
CAPITAL AND RESERVES			
Share capital		333,763	333,763
Reserves		553,654	873,328
Equity attributable to equity holders of the Company		887,417	1,207,091
Non-controlling interests		87,265	147,505
TOTAL EQUITY		<u>974,682</u>	<u>1,354,596</u>

NOTES

1. GENERAL

DTXS Silk Road Investment Holdings Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and its principal place of business is located at Room 3615–16, 36/F, Cosco Tower, 183 Queen’s Road, Central, Sheung Wan, Hong Kong.

The 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 (the “Listing Rules”).

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.

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 relating 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 the 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.

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.

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.

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 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. 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.

	Arts and Cultural		Winery and Trading		Property Development		Consolidated	
	Division		Division		Division			
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Revenue from external customers								
— Revenue from contracts with customers under HKFRS 15	—	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	<u>35,948</u>	<u>37,601</u>	<u>1,970</u>	<u>6,563</u>	<u>6,575</u>	<u>1,090,100</u>	<u>44,493</u>	<u>1,134,264</u>
Segment results*	<u>(164,282)</u>	<u>(29,890)</u>	<u>(5,217)</u>	<u>(9,557)</u>	<u>(184,467)</u>	<u>479,465</u>	<u>(353,966)</u>	<u>440,018</u>
<i>Reconciliation:</i>								
Unallocated other income							—	2,201
Unallocated other gains and losses							(4,005)	(17,908)
Unallocated corporate and other expenses							(13,465)	(26,821)
(Loss) Profit before tax for the year							<u>(371,436)</u>	<u>397,490</u>

* Segment results are before tax

(b) Geographical information

The Group's operations are located in Hong Kong, Mainland China and France. The following table sets out information about the geographical locations of (i) the Group's revenue from external customers for the years ended 31 December 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 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u>44,493</u>	<u>1,134,264</u>	<u>101,518</u>	<u>331,953</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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.

5. REVENUE

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

6. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	61	178
Government grants	—	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	7,261	—
Sundry income	<u>975</u>	<u>215</u>
	<u><u>19,165</u></u>	<u><u>12,157</u></u>

7. (LOSS) PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(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	<u>(1,549)</u>	<u>232</u>
	<u>23,300</u>	<u>35,016</u>
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	1,652	2,123
Less: Amount included in inventory overheads	<u>(413)</u>	<u>(600)</u>
	1,239	1,523
Depreciation of right-of-use assets	3,373	5,138
Amortisation of intangible assets	<u>4,579</u>	<u>4,824</u>
	<u>9,191</u>	<u>11,485</u>
(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	<u>462</u>	<u>299</u>

8. OTHER LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	(4)	—
Unrealised fair value losses on listed equity securities	—	(929)
Fair value loss on investment properties	(6,639)	(1,166)
	<u>(186,638)</u>	<u>(29,813)</u>

9. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u>115,104</u>	<u>108,864</u>
Total borrowing costs	115,104	108,864
Less: Borrowing costs capitalised into properties under development	(114,885)	(91,773)
	<u>219</u>	<u>17,091</u>

10. 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.

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

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

11. 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).

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 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 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(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	<u>(302,064)</u>	<u>106,448</u>

	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	<u>667,525,230</u>	<u>667,525,230</u>

13. TRADE AND OTHER RECEIVABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unbilled (<i>Note</i>)	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
	<u>153,037</u>	<u>222,135</u>

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.

(b) Other receivables

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

Notes:

- (i) The balance and related interest receivables included in trade receivables are secured by pledged auction items (Chinese art collectibles and antiques) from consignors and bears interest at fixed interest rates ranging from 8% to 15% per annum (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 was higher than the carrying amount of the outstanding balances.

Save 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 181–360 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).

14. TRADE AND OTHER PAYABLES

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	(a)	122,713	107,287
Accruals		24,505	14,521
Lease liabilities		1,268	2,865
Interest payables		51,388	14,610
Other payables		191,023	199,748
Deposits received		6,934	7,446
Contract liabilities		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

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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

MANAGEMENT DISCUSSION AND ANALYSIS

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 are 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.

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 (31 December 2022: HK\$37.6 million) and a segment loss before tax of approximately HK\$164.3 million (31 December 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.

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.

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 total cash and cash equivalents 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

Disposal of subsidiaries

At 31 December 2023, DTXS Fine Wine Holdings Limited (“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-Puy Bardens 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.

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.

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).

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2023 (2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, the Company and its subsidiaries had not purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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 provisions (the “Code”) of the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 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 2023.

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 2023 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 2023 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 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.

2023 ANNUAL REPORT

The 2023 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) on or before 24 May 2024.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 30 April 2024.

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

Hong Kong, 29 April 2024

As at the date of this announcement, the board of Directors of the Company comprises four Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Mr. Huang Dahai and Mr. Wong Kwok Tung Gordon Allan (Co-Chief Executive Officer); and three Independent Non-executive Directors, namely Mr. Kwok Chi Shing, Prof. Wang Guiguo and Ms. Hau Amy Wing Gee.