



**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
REPORT
2020**



Contents

Corporate Information	2
Chairman’s Statement	3
Management Discussion and Analysis	5
Biographical Details of Directors and Senior Management	9
Directors’ Report	13
Corporate Governance Report	27
Environmental, Social and Governance Report	37
Independent Auditor’s Report	45
Consolidated Statement of Profit or Loss and Other Comprehensive Income	52
Consolidated Statement of Financial Position	54
Consolidated Statement of Changes in Equity	56
Consolidated Statement of Cash Flows	57
Notes to the Consolidated Financial Statements	59
Five-Year Financial Summary	144

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lu Jianzhong (*Chairman*)
Mr. Yang Xingwen
Mr. Xu Lin (*Executive Vice-chairman*)
(appointed on 1 April 2020 and
resigned on 1 February 2021)
Dr. Ma Chao (*Executive Vice-chairman*)
(appointed on 1 February 2021)
Dr. Xu Zhihong (*Co-Chief Executive Officer*)
(appointed on 1 September 2020)
Mr. Lai Kim Fung (*Co-Chief Executive Officer*)
(resigned on 1 September 2020)
Mr. Wong Kwok Tung Gordon Allan
(*Deputy Chief Executive Officer*)

Non-executive Directors

Dr. Cheng Kar-Shun, Henry
(resigned on 19 March 2021)
Mr. Jean-Guy Carrier (resigned on 23 May 2020)

Independent Non-executive Directors

Mr. Kwok Chi Shing (appointed on 29 May 2020)
Mr. Tsang Yok Sing, Jasper
(appointed on 1 September 2020)
Mr. Tse Yung Hoi
Mr. Cheng Yuk Wo (retired on 29 May 2020)
Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)
Mr. Wang Shi (resigned on 1 September 2020)

AUDIT COMMITTEE

Mr. Kwok Chi Shing (*Chairman*)
(appointed on 29 May 2020)
Mr. Tsang Yok Sing, Jasper
(appointed on 1 September 2020)
Mr. Tse Yung Hoi
Mr. Cheng Yuk Wo (retired on 29 May 2020)
Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)

NOMINATION COMMITTEE

Mr. Lu Jianzhong (*Chairman*)
Mr. Kwok Chi Shing (appointed on 29 May 2020)
Mr. Tse Yung Hoi (appointed on 29 May 2020)
Mr. Cheng Yuk Wo (retired on 29 May 2020)
Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)

REMUNERATION COMMITTEE

Mr. Tse Yung Hoi (*Chairman*)
(appointed on 29 May 2020)
Dr. Ma Chao (appointed on 1 February 2021)
Mr. Kwok Chi Shing (appointed on 29 May 2020)
Mr. Cheng Yuk Wo (retired on 29 May 2020)
Mr. Lai Kim Fung (resigned on 1 September 2020)
Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)
Mr. Xu Lin (appointed on 1 April 2020 and
resigned on 1 February 2021)

INVESTMENT COMMITTEE

Dr. Ma Chao (*Chairman*)
(appointed on 1 February 2021)
Mr. Wong Kwok Tung Gordon Allan
(appointed on 26 June 2020)
Dr. Xu Zhihong (appointed on 1 September 2020)
Mr. Yang Xingwen (appointed on 26 June 2020)
Mr. Xu Lin (appointed on 26 June 2020 and
resigned on 1 February 2021)

COMPANY SECRETARY

Ms. Tsang Ngo Yin (appointed on 2 November 2020)
Mr. Tang Man Joe (resigned on 2 November 2020)

REGISTERED OFFICE

Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 811-817,
8/F Bank of America Tower
12 Harcourt Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS

Jeffrey Mak Law Firm
Patrick Mak & Tse Solicitors
Silkroad Law Firm
Appleby Spurling & Kempe

PRINCIPAL BANKERS

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

WEBSITE

www.dtxs.com

STOCK CODE

620

Chairman's Statement



Dear Shareholders,

On behalf of the board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report for the year ended 31 December 2020.

Lu Jianzhong

Chairman

FINANCIAL RESULTS

During the year under review, the Group recorded a total revenue from continuing operations of approximately HK\$193.1 million (2019: HK\$235.4 million). Profit attributable to owners of the Company was approximately HK\$32.6 million (2019: HK\$10.3 million). The Board does not recommend the payment of a dividend for the year ended 31 December 2020.

BUSINESS REVIEW

What does not kill us makes us stronger. 2020 was an extraordinary year. In accordance with one strategic policy of "pivot on the core business, transformation and upgrading, innovation and breakthrough, high quality development", the Company managed to overcome the difficult challenges brought by the COVID-19 pandemic and the domestic and foreign economic downturn. Working together and overcome the difficulties together, we advanced key projects in an orderly manner, whilst transformation and innovation are gaining momentum, which promotes the smooth and orderly development of the Company's various tasks.

Regarding the strategic adjustment of our business structure, the Company actively injected the high-quality assets from the parent group into the Group, and has achieved breakthroughs in various projects of the "One Center, Two Complexes", with promising prospects for external expansion. In particular, Silk Road International Culture Center, which was injected from the parent group in June 2019, is planned to be developed into a comprehensive cultural center for the operation of cultural artworks and a financial and cultural entertainment center for cultural artworks. The project made full use of the Group's brand resources and platform advantages and has been approved by the government authorities to start large-scale sales.

Chairman's Statement

As for the auction business, due to the epidemic, we have transformed the business and carried out online. Many collectors went online to view and register their commissions through the 24/7 live online preview system. During our Autumn "2021 Welcome Art Auction", there were over 1,000 lots and 11 special auctions, with a transact rate of 73%. We kept our commitment to collectors, through our online platform, collectors were able to bid over the air with the same results as in the live auction.

Regarding the winery business, we assemble a strong management team to continuously expand our product coverage to Hong Kong, Mainland China, Japan, Southeast Asia and even Europe. We enriched the product line of red wine to meet the needs of domestic and foreign customers, thereby keeping up the upward momentum in sales.

FUTURE OUTLOOK

Looking into 2021, last year's pandemic and the tension between China and the US will continue to make the market full of uncertainties. The listed company will deepen the strategic goal of its parent company, which is to build "an international cultural artworks trading center, a cultural tourism complex and a Chinese medicine health care complex, namely", or "One Center, Two Complexes" in abbreviation. We will focus on the "one center" and create a cultural industry brand, and expand and strengthen cultural tourism and health care, as well as the new business model of the "two complexes". We will carry out an in-depth analysis of the parent company's resource advantages, create strategic synergy, treat investment and financing as our core business, form a synergistic development that incorporates cultural business, cultural tourism, and cultural investment in the real economy, invest in the development of the real economy with capital injection, and in turn use the real economy to support the expansion and strengthening of the listed company, so as to obtain return from capital operation. We will strengthen process management, focus on the development of the core business, enhance the brand image, quickly expand scale and build an internationally renowned brand of Da Tang Xi Shi.

"A time will come for one to ride the wind and cleave the waves, and he shall set the cloud-white sail and cross the sea which raves." The year 2021 marks the beginning of the country's "14th Five-Year Plan" and its 2035 Vision. Standing at a new historical starting point, all staff of the Company, especially the members of the management, will be down to earth and take the correct decisions made by the Board as the agenda for action, continuously strengthen their cadre skills, strive to optimize the management system, and make every effort to overcome adversities, and forge ahead towards a new stage of development! I wish the COVID-19 pandemic in all countries of the world can be effectively controlled, people's production and life can be resumed as soon as possible, and healthy and harmonious economic and social development can be realized at an early date!

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, partners and customers for their strong support, and express our sincere gratitude to all of our management team and employees for their endeavors and contribution to the Group. The Group will create more value for the shareholders, partners, customers and employees through condensing the wisdom and efforts of the team and strengthening its confidence for development.

Lu Jianzhong

Chairman

31 March 2021

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.

Management Discussion and Analysis

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 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.

* For identification purpose only

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Strategic Risks

- (i) Investment and post-investment management risk
- (ii) Risk of downturn in global and Chinese economy
- (iii) Keen market competition in property development and auction

2. Operation Risks

- (i) Risk of authentication, appraisal and valuation of artworks
- (ii) Ineffective know-your-client and anti-money-laundering management
- (iii) Failure to attract and retain key management personnel and professional staff and lack of succession plan for key personnel
- (iv) Insufficient data loss prevention mechanism and failure in data retention

3. Financial Risks

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

4. Governance, Compliance and Legal Risks

- (i) Failure to obtain necessary control over newly acquired subsidiaries
- (ii) Risk of non-compliance with disclosure requirements with the Listing Rules
- (iii) Risk of non-compliance with relevant laws and regulations and not able to respond to changes in laws and regulations timely
- (iv) Risk of information security and data leakage

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

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.

Management Discussion and Analysis

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).

SUBSEQUENT EVENT

Acquisition of Wealthy Forest Limited

On 18 February 2021, DTXS Fine Wine Holdings Limited (“DTXS Fine Wine”), an indirect wholly-owned subsidiary of the Company, completed a further acquisition of 30% equity interest of its non-wholly owned subsidiary, Wealthy Forest Limited (“Wealthy Forest”), at a consideration of approximately HK\$4,780,000. DTXS Fine Wine became the sole beneficial owner of the Wealthy Forest, which indirectly owned a wine yard Chateau Puy Bardens located at Bordeaux in France. After the acquisition, the Group holds the entire equity interest of the vineyard business.

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).

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Lu Jianzhong (“Mr. Lu”), aged 57, was appointed as the chairman and an executive director of the Company on 8 December 2015, and the chairman of the nomination committee of the Company on 30 March 2017. Mr. Lu graduated from Northwestern Polytechnical University (西北工業大學) with a Master in Industrial Engineering. He is the founding chairman and director of Da Tang Xi Shi Investments Group Limited* (大唐西市文化產業投資集團有限公司) (“DTXS Investment”), the ultimate controlling shareholder of the Company.

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

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

Mr. Yang Xingwen (“Mr. Yang”), aged 58, was appointed as an executive director of the Company on 8 December 2015. He was appointed as a member of investment committee of the Company on 26 June 2020. Mr. Yang graduated from Beijing Language and Literature Self-Study University (北京語言文學自修大學), with an associate degree in literature. He also studied at the Central Party School Correspondence College (中央黨校函授學院), majoring in economics, and obtained the professional title of economist. Mr. Yang has extensive financial and accounting experience, he is currently serving as the vice chairman of DTXS Investment and is in-charge of all financial matters of DTXS Investment and its subsidiaries. He is also a shareholder of DTXS Investment. Mr. Yang began his career in Shaanxi province and previously held offices at Shaanxi Jia Xin Industry Group Company Limited* (陝西佳鑫實業集團有限公司).

Dr. Ma Chao (“Dr. Ma”), aged 45, was appointed as an executive director of the Company and serves as the chairman of investment committee and a member of the remuneration committee of the Company with effect from 1 February 2021.

Dr. Ma, holds a doctoral degree in economics from Northwest University in the People’s Republic of China. Dr. Ma is the president of DTXS Investment. Dr. Ma has been in senior management positions at various enterprises for over 20 years and has extensive management experience.

* For identification purpose only

Biographical Details of Directors and Senior Management

Dr. Xu Zhihong (“Dr. Xu”), aged 57, was appointed as an executive director of the Company and a member of investment committee of the Company on 1 September 2020. He was appointed as the co-chief executive officer of the Company on 16 June 2020 and re-designated as the chief executive officer on 1 September 2020. He was subsequently re-designated from the chief executive officer to the co-chief executive officer of the Company on 12 March 2021. Dr. Xu graduated from Anhui Finance and Trade Vocational College with a Bachelor of Economics degree, and then obtained a Master of Business Administration degree from Oklahoma City University and a Doctorate degree in Economics from Renmin University of China. He was the managing director of Wing Lung Bank Limited and general manager of the Financial Markets Department of Industrial and Commercial Bank of China, and has extensive experience in corporate financial planning. Dr. Xu was a director and deputy general manager of China Dive Company Limited (stock code: 300526), a company listed on the Shenzhen Stock Exchange, from 2 December 2019 to 3 June 2020. Dr. Xu has received the honour of Special Government Allowances of the State Council as a National Expert (國務院特殊津貼專家), and he has also served as a committee member of the Financial Products Committee of the People’s Bank of China and a council member of the China Urban Financial Society.

Mr. Wong Kwok Tung Gordon Allan (“Mr. Wong”), aged 46, was appointed as an executive director of the Company on 29 July 2015 and the chief executive officer and a member of the remuneration committee of the Company on 2 November 2015. He was appointed as a member of investment committee of the Company on 26 June 2020. He was subsequently re-designated from the chief executive officer to the deputy chief executive officer of the Company on 7 August 2017 and resigned as a member of the remuneration committee of the Company on 28 March 2018. Mr. Wong is a director of Da Tang Xi Shi International Holdings Limited, immediate controlling shareholder of the Company. Mr. Wong has extensive financial and accounting experience in various industries, and has previously worked in an accounting firm and an investment bank. He holds a Bachelor degree of commerce from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia.

Independent Non-executive Directors

Mr. Kwok Chi Shing (“Mr. Kwok”), aged 58, was appointed as an independent non-executive director, chairman of audit committee and member of nomination committee and remuneration committee of the Company on 29 May 2020. Mr. Kwok graduated from The University of Aberdeen, the United Kingdom in July 1986 with a master’s degree in arts in economics with accountancy. He has been a chartered accountant in Scotland, the United Kingdom since November 1989 when he worked and qualified with the Edinburgh office of KPMG. He has been a certified public accountant, certificate tax advisor and certified financial planner in Hong Kong since January 1991, June 1992 and October 2001 respectively. He became a member of China Mergers & Acquisitions Association in March 2014. He has more than 20 years of experience in audit assurance, cross border taxation and project finance. He is currently the director of LKKC C.P.A. Limited. Mr. Kwok has been a director of Pok Oi Hospital, Hong Kong since 2015 and he was appointed as the founding second vice president of the Lions Club of Hong Kong New Territories West Limited in 2015.

Mr. Kwok is currently an independent non-executive director in a number of Hong Kong listed companies, namely Bonjour Holdings Limited (stock code: 0653), Grand Ocean Advanced Resources Company Limited (stock code: 0065) and Speed Apparel Holdings Limited (stock code: 3860), the shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited, Hang Chi Holdings Limited (stock code: 8405) and Huakang Biomedical Holdings Company Limited (stock code: 8622), the shares of which are listed on GEM. Mr. Kwok was an independent non-executive director of Cityneon Holdings Limited, which was listed on the Singapore Exchange Limited until its withdrawal from listing effective on 1 February 2019, up to his resignation in March 2019.

Biographical Details of Directors and Senior Management

Mr. Tsang Yok Sing, Jasper (“Mr. Tsang”), aged 72, was appointed as an independent non-executive director and serves as a member of the audit committee of the Company with effect from 1 September 2020.

Mr. Tsang, *G.B.M., G.B.S., J.P.*, is Honorary Professor of the Faculty of Social Science of The Chinese University of Hong Kong and the Convenor of Hong Kong Vision Research Programme. Mr. Tsang currently serves as an independent non-executive director of Beijing Tong Ren Tang Chinese Medicine Company Limited (Stock code: 3613) and Kunlun Energy Company Limited (Stock code: 135) which are listed on the Stock Exchange of Hong Kong Limited.

Mr. Tsang held a number of posts in public service, including the President of the Fourth and the Fifth Legislative Council of the HKSAR from 2008 to 2016. Prior to his election as President of the Legislative Council of the HKSAR, Mr. Tsang served as a member of the Legislative Council from 1998 to 2016, representing the Kowloon West constituency from 1998 to 2008 and the Hong Kong Island constituency from 2008 to 2016. He served as a member of the Executive Council of the HKSAR from 2002 to 2008. From 1992 to 2003, he served as chairman of the Democratic Alliance for the Betterment of Hong Kong. Mr. Tsang was actively involved in the establishment of the HKSAR. He served as a member of the Preparatory Committee established by the Standing Committee of the Chinese National People’s Congress in 1996 and a member of the Provisional Legislative Council of the HKSAR from 1997 to 1998. Mr. Tsang was a member of the National Committee of the Chinese People’s Political Consultative Conference from 1993 to 2013, a non-executive director of the Hong Kong Securities and Futures Commission from 2001 to 2007, a member of the Executive Committee of the Commission on Strategic Development from 2005 to 2008, a board member of the Airport Authority Hong Kong from 2005 to 2008, a member of the Independent Commission Against Corruption Complaints Committee from 2003 to 2008 and a member of the Disaster Relief Fund Advisory Committee from 2002 to 2008. Mr. Tsang also served as a member of the Council of The Open University of Hong Kong from 1996 to 2005 and a member of the Standing Committee on Language Education and Research from 1996 to 2000. Mr. Tsang obtained a Bachelor of Arts degree at The University of Hong Kong in 1968, Certificate in Education at the University of Hong Kong in 1981 and a Master of Education degree at the University of Hong Kong in 1983. Mr. Tsang was appointed as a Justice of the Peace (J.P.) in 1998 and was awarded the Gold Bauhinia Star (G.B.S.) in 2002 and the Grand Bauhinia Medal (G.B.M.) in 2015.

Mr. Tse Yung Hoi (“Mr. Tse”), aged 68, was appointed as a non-executive director of the Company on 8 December 2015 and re-designated to an independent non-executive director of the Company on 16 November 2017. He was also appointed as a member of the audit committee of the Company on 1 May 2019 and subsequently was appointed as the Chairman of Remuneration Committee and a member of the Nomination Committee on 29 May 2020. Mr. Tse graduated from English studies from the department of foreign language of Fudan University in July 1975. He is currently the chairman of BOCI-Prudential Asset Management Limited. Mr. Tse serves as Standing Committee Member of The Chinese General Chamber of Commerce, Hong Kong and Permanent Honorary President of Chinese Securities Association of Hong Kong. He was a Member of HKSAR Financial Services Development Council. Mr. Tse is the independent non-executive director of BOCOM International Holdings Company Limited (stock code: 3329), China Tower Corporation Limited (stock code: 788), Guoan International Limited (stock code: 143), HJ Capital (International) Holdings Company Limited (stock code: 982) and Vico International Holdings Limited (stock code: 1621), all companies are listed in Hong Kong. He also serves as an independent non-executive director of Shenzhen Qianhai Financial Holdings Company Ltd and Banco Well Link, S.A. Mr. Tse was awarded the Bronze Bauhinia Star (BBS) by the government of HKSAR in 2013.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Kam Hou Yin, John (“Mr. Kam”) was appointed as co-chief executive officer of the Company on 12 March 2021. Mr. Kam graduated from PBC School of Finance at Tsinghua University in the People’s Republic of China with an executive master’s degree in Business Administration and from The University of Manchester in the United Kingdom with a master’s degree in Business Administration. He is a fellow member of The Association of Chartered Certified Accountants (“ACCA”) and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Kam was a senior partner of Zhenzhen Zhujin Supply Chain Services Company Limited from November 2018 to February 2021. He was an executive director and the chief executive officer of Century Ginwa Retail Holdings Limited (stock code: 162) from May 2017 to October 2018. Mr. Kam has over 20 years’ experience in corporate, personal and interbank business. He was Zone Manager of Corporate Banking Division and General Manager of Shenzhen Branch of The Bank of East Asia (China) Limited from July 2012 to April 2017 and Zone Manager (Western China) of Corporate Banking Division and General Manager of Xi’an Branch of The Bank of East Asia (China) Limited from November 2006 to June 2012. Mr. Kam has been appointed as an independent non-executive Director of China Ocean Fishing Holdings Limited (stock code: 8047) since March 2020. Mr. Kam was appointed as an independent non-executive Director of KOALA Financial Group Limited (stock code: 8226) from September 2017 to April 2019. Mr. Kam is a member of Standing Committee of the 5th Chinese People’s Political Consultative Conference of Futian District, Shenzhen, a member of ACCA China Expert Forum, and he is an expert juror of the Shenzhen Qianhai Operation Zone’s People’s Court.

Tsang Ngo Yin (“Ms. Tsang”) was appointed as the company secretary and the chief financial officer of the Company on 2 November 2020. Ms. Tsang graduated from Simon Fraser University in Canada with a Bachelor of Business Administration Degree, and further obtained a Bachelor of Laws Degree from Tsinghua University in the People’s Republic of China and a Master of Laws Degree in International Corporate and Financial Law from University of Wolverhampton in the United Kingdom. Ms. Tsang has over of 20 years of extensive experiences in regulatory compliance, financial reporting, corporate finance projects, internal control, auditing and financial management, including experience as the company secretary in Hong Kong listed company. She is a member of the American Institute of Certified Public Accountants and also a member of Hong Kong Institute of Certified Public Accountants.

Directors' Report

The board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") is pleased to present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

On 3 February 2020, the disposal of UDL Ventures Limited has been completed. As at the date of this annual report, the Group no longer engaged in the marine engineering and related services.

On 12 March 2020, the acquisition of HK DTXS Enterprise Holdings Limited has been completed. As at the date of this annual report, the Group engaged in the properties investment and development.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the financial year and a discussion on the Group's future business development and outlook of the Company's business, principal risks and uncertainties that the Group may be facing, and important events affecting the Company occurred since the end of the financial year are provided in the section headed "Chairman's Statement" on pages 3 to 4 and the section headed "Management Discussion and Analysis" on pages 5 to 8 of this annual report. These discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Discussions on the Group's environmental policies and performance during the financial year are set out in the section headed "Environmental, Social and Governance Report" on pages 37 to 44 of this annual report. These discussions form part of this Directors' Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

Directors' Report

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 52 to 143 of this annual report.

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

DIVIDEND POLICY

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's five largest customers in aggregate was 54% (2019: 64%) of the total revenue of the Group and the largest customer included therein amounted to 20% (2019: 32%).

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate was 88% (2019: 83%) of the total purchases of the Group and the largest supplier included therein amounted to 34% (2019: 42%).

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

SEGMENT INFORMATION

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

FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial years is set out on page 144 of this annual report. The summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the financial year are set out in Note 32 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 56 and Note 34 to the consolidated financial statements respectively.

NON-CURRENT ASSETS

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

SUBSIDIARIES

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

BORROWINGS

Particulars of the borrowings of the Group are set out in Note 30 to the consolidated financial statements.

MAJOR PROPERTY HELD

The following table sets out the particulars of the major property held by the Group for the year ended 31 December 2020:

Location	Approximate gross floor area (sq.m.)	Group's interest (%)	Land use	Leasehold term
1st floor shop section, 5th floor function room section and 6th floor exhibition section, Tang Dynasty West Market Hotel, No. 118 South Labor Road, Lianhu District, Xi'an City, Shanxi Province, the People's Republic of China (the "PRC")	3,408.53	100%	Commercial, hotel catering and exhibition centre and function room	Medium
North of South 2nd Ring Road and the east of Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	2,067.66	69.97%	Residential, retail units and flat and mechanical parking spaces	Medium
No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	9,557.40	69.97%	Residential, retail units and flat and mechanical parking spaces	Medium
No. 118 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	257,474.56	69.97%	Commercial, and exhibition centre	Medium

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Lu Jianzhong (*Chairman*)

Mr. Yang Xingwen

Dr. Ma Chao (*Executive Vice-chairman*) (appointed on 1 February 2021)

Dr. Xu Zhihong (*Co-Chief Executive Officer*) (appointed on 1 September 2020)

Mr. Wong Kwok Tung Gordon Allan (*Deputy Chief Executive Officer*)

Mr. Xu Lin (*Executive Vice-chairman*) (appointed on 1 April 2020 and resigned on 1 February 2021)

Mr. Lai Kim Fung (*Co-Chief Executive Officer*) (resigned on 1 September 2020)

Non-executive Directors:

Dr. Cheng Kar-Shun, Henry (resigned on 19 March 2021)

Mr. Jean-Guy Carrier (resigned on 23 May 2020)

Independent Non-executive Directors:

Mr. Tse Yung Hoi

Mr. Tsang Yok Sing, Jasper (appointed on 1 September 2020)

Mr. Kwok Chi Shing (appointed on 29 May 2020)

Mr. Wang Shi (resigned on 1 September 2020)

Mr. Cheng Yuk Wo (retired on 29 May 2020)

Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)

Biographical details of the Directors as of the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 9 to 12 of this annual report.

In accordance with bye-law 102(B) of the Company's bye-laws, Dr. Xu Zhihong, Dr. Ma Chao, Mr. Kwok Chi Shing and Mr. Tsang Yok Sing, Jasper will retire at the 2021 AGM and, being eligible, and will offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

Mr. Kwok Chi Shing has entered into an appointment agreement with the Company commencing from 29 May 2020 under which he agreed to act as Independent Non-executive Director for three years. The appointment may be terminated before such expiry by not less than one month written notice. He will receive an annual Director's fee of HK\$300,000 pursuant to the terms of appointment.

Mr. Tsang Yok Sing, Jasper has entered into an appointment agreement with the Company commencing from 1 September 2020 under which he agreed to act as Independent Non-executive Director for two years. The appointment may be terminated before such expiry by not less than one month written notice. He will receive an annual Director's fee of HK\$300,000 pursuant to the terms of appointment.

Directors' Report

Saved as disclosed above, none of the Directors proposed for re-election at the 2021 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

MANAGEMENT CONTRACTS

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

COMPETING BUSINESS INTERESTS OF DIRECTORS

During the financial year, the following Director(s) were considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as defined in the Listing Rules as set out below:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Dr. Cheng Kar-Shun, Henry	New World Development Company Limited and its group of companies	Retail of consumer products, duty free liquor, fine wines and cosmetics and general merchandise, construction of building, and provision of transportation services	Director

Directors' Report

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Director controls the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of the aforesaid companies.

Save as disclosed above, none of the Directors were interested in any businesses apart from the Company's businesses, which competed or was likely to compete, either directly or indirectly, with the Company's businesses during the financial year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

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

Name of Director	Number of ordinary shares of HK\$0.50 each and nature of interests			Number of share options ⁽⁴⁾		Approximate percentage of shareholding ⁽⁵⁾
	Personal interests	Corporate interests	Number of underlying shares held	Personal interests	Total interests	
Mr. Lu Jianzhong	4,996,000	383,473,032 ⁽¹⁾	111,187,538 ⁽²⁾	3,500,000	503,156,570	75.38%
Mr. Yang Xingwen	—	—	—	2,500,000	2,500,000	0.37%
Mr. Xu Lin	—	—	—	3,000,000	3,000,000	0.45%
Mr. Wong Kwok Tung	—	—	—	—	—	—
Gordon Allan	—	—	—	2,500,000	2,500,000	0.37%
Mr. Tse Yung Hoi	—	—	—	250,000	250,000	0.04%
Dr. Xu Zhihong	—	—	—	2,600,000	2,600,000	0.39%

Directors' Report

Notes:

1. 383,473,032 shares were held by Da Tang Xi Shi International Holdings Limited ("DTXS International Holdings"). DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by DTXS Investment. Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investment, was interested in approximately 50.60% of the issued registered capital of DTXS Investment. As such, Mr. Lu Jianzhong was deemed to be interested in 383,473,032 shares.
2. 111,187,538 underlying Shares represent the number of option shares that may be sold by Ion Tech Limited ("Ion Tech") as grantee to DTXS International Holdings as grantor pursuant to the exercise of the put option or the triggered put option (as the case may be) pursuant to the put option deed dated 16 July 2019 (the "Put Option Deed").
3. Particulars of share options of the Company are set out in the section headed "Share Option Scheme" in this Directors' Report.
4. The total number of issued shares was 667,525,230 as at 31 December 2020.

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executives of the Company and any of their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

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

As at 31 December 2020, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

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

Notes:

- The letters "L" and "S" denote a long position and a short position in the Shares respectively.
- DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which was wholly-owned by DTXS Investment, which was owned as to approximately 50.60% by Mr. Lu Jianzhong and approximately 13.80% by Mr. Yang Xingwen.
- Ms. Zhu Ronghua was deemed to be interested in 503,156,570 shares through the interests held by her spouse, Mr. Lu Jianzhong.
- Citiplus Investment Limited ("Citiplus") held 100% direct interest in Ion Tech Limited and was accordingly deemed to have an interest in the Shares held by Ion Tech Limited.
- New World Development Company Limited ("NWD") held 100% direct interest in Citiplus and was accordingly deemed to have an interest in the Shares deemed to be interested by Citiplus.

6. Chow Tai Fook Enterprises Limited ("CTFE"), together with its subsidiaries, held more than one third of the issued shares of NWD and was accordingly deemed to have an interest in the Shares deemed to be interested by NWD.
7. Chow Tai Fook (Holding) Limited ("CTFH") held 100% direct interest in CTFE and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFE.
8. Chow Tai Fook Capital Limited ("CTFC") held approximately 81.03% direct interest in CTFH and accordingly deemed to have an interest in the Shares deemed to be interested by CTFH.
9. Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.
10. Cheng Yu Tung Family (Holdings) Limited ("CYTFH") held approximately 48.98% direct interest in CTFC and was accordingly deemed to have an interest in the Shares deemed to be interested by CTFC.
11. Ion Tech entered into the subscription agreement dated 16 July 2019 to conditionally subscribe for 111,187,538 Shares, and in connection therewith, DTXS International Holdings conditionally granted a put option to Ion Tech to require DTXS International Holdings to purchase all or part of the option shares pursuant to the Put Option Deed.
12. Comprises 383,473,032 Shares held by DTXS International Holdings and 111,187,538 underlying Shares representing the number of option shares that may be sold by Ion Tech to DTXS International Holdings pursuant to the exercise of the put option or the triggered put option (as the case may be) pursuant to the Put Option Deed.
13. The total number of issued shares was 667,525,230 as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

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

Directors' Report

3. Total number of shares available for issue under the 2012 Scheme and percentage of the issued share capital that it represents as at the date of this annual report:

The original maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2012 Scheme was 27,229,248 shares (the "2012 Scheme Mandate Limit"), representing approximately 10% of the issued shares as at 6 December 2012, the date on which an ordinary resolution was passed by the Shareholders to approve the 2012 Scheme.

The 2012 Scheme Mandate Limit was refreshed and increased to 47,463,590 shares, representing approximately 10% of the issued shares as at 2 June 2016, the date on which an ordinary resolution was passed by the Shareholders to approve the refreshment of the 2012 Scheme Mandate Limit.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the 2012 Scheme is 47,463,590 shares (including options to subscribe for 12,850,000 shares that have been granted but not yet lapsed, cancelled or exercised), representing 7.1% of the issued shares of the Company as at the date of this annual report.
4. Maximum entitlement of each participant:

The total number of shares issued and which may fall to be issued upon exercise of the options granted to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.
5. Period within which the shares must be taken up under an option:

The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6. Minimum period for which an option must be held before it can be exercised:

As determined by the Board.
7. Amount payable on acceptance of an option and the period within which payments shall be made:

HK\$1 shall be payable to the Company upon acceptance of the option not later than 30 days after the date of offer.
8. Basis of determination of the exercise price:

The exercise price shall not be less than the highest of (i) the closing price of the shares as quoted on the Stock Exchange on the date of grant; (ii) the average of the closing prices of the shares as quoted on the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.
9. Remaining life of the 2012 Scheme:

Valid and effective for a term of 10 years from the date of adoption until 5 December 2022.

Directors' Report

The following table sets out the movements of the number of share options granted under the 2012 Scheme during the year ended 31 December 2020 and the outstanding share options at the beginning and end of the year:

Eligible participants	Date of grant	Exercise price per share (HK\$)	Exercise Period ⁽²⁾	Number of share options				
				At 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2020
(a) Directors								
Mr. Lu Jianzhong	28/01/2016	3.000	28/01/2017 to 27/01/2026	3,500,000	—	—	—	3,500,000
Mr. Yang Xingwen	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	—	—	—	2,500,000
Mr. Lai Kim Fung	04/09/2017	4.814	04/09/2018 to 03/09/2027	3,000,000	—	—	3,000,000	—
Mr. Xu Lin	07/04/2020	5.290	01/04/2021 to 06/04/2030	—	3,000,000	—	—	3,000,000
Dr. Xu Zhihong	16/06/2020	4.870	16/06/2021 to 15/06/2030	—	2,600,000	—	—	2,600,000
Mr. Wong Kwok Tung Gordon Allan	28/01/2016	3.000	28/01/2017 to 27/01/2026	2,500,000	—	—	—	2,500,000
Mr. Jean-Guy Carrier	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Cheng Yuk Wo	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Tsui Yiu Wa, Alec	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Wang Shi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	250,000	—
Mr. Tse Yung Hoi	28/01/2016	3.000	28/01/2017 to 27/01/2026	250,000	—	—	—	250,000
Sub-total				12,750,000	5,600,000	—	4,000,000	14,350,000
(b) Employees in aggregate								
	28/01/2016	3.000	28/01/2017 to 27/01/2026	1,774,000	—	24,000	250,000	1,500,000
	21/12/2016	3.710	21/12/2017 to 20/12/2026	192,000	—	42,000	150,000	—
	04/01/2019	3.902	04/12/2019 to 03/01/2029	750,000	—	—	750,000	—
	07/04/2020	5.290	04/09/2020 to 06/04/2030	—	750,000	—	750,000	—
Sub-total				2,716,000	750,000	66,000	1,900,000	1,500,000
Total				15,466,000	6,350,000	66,000	5,900,000	15,850,000

Directors' Report

Notes:

1. Share options granted under the 2012 Scheme on 28 January 2016 and 21 December 2016, respectively shall vest in the grantees in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by each grantee for each grant of options was HK\$1.00:

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

2. Share options granted under the 2012 Scheme on 7 April 2020 to the director of the Company shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK\$1.00:

Vesting Date	Percentage of share options to vest
After 31 March 2021	25% of the total number of share options granted
After 31 March 2022	25% of the total number of share options granted
After 31 March 2023	25% of the total number of share options granted
After 31 March 2024	25% of the total number of share options granted

3. Share options granted under the 2012 Scheme on 16 June 2020 shall vest in the grantee in accordance with the timetable below for this purpose, the date or each such date on which the share options are to vest and the consideration paid by the grantee for the grant of options was HK\$1.00:

Vesting Date	Percentage of share options to vest
First anniversary of the date of grant	25% of the total number of share options granted
Second anniversary of the date of grant	25% of the total number of share options granted
Third anniversary of the date of grant	25% of the total number of share options granted
Fourth anniversary of the date of grant	25% of the total number of share options granted

4. In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK\$4.696 per share.

Details of value of share options granted during the financial year are set out in Note 33 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The following transactions constituted the connected transactions of the Company under the Listing Rules during the financial year ended 31 December 2020 and up to the date of this annual report:

On 12 March 2020, DTXS Silk Road Investment Development Company Limited, a wholly-owned subsidiary of the Company, completed a connected transaction in relation to the acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited together with the guarantee arrangements, 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. The acquisition together with the guarantee arrangements were approved by the independent shareholders of the Company in the special general meeting of the Company held on 11 March 2020. For more details of the transaction, refer to 1) the announcement of the Company dated 29 November 2019; 2) the circular of the Company dated 21 February 2020; and 3) announcement of the Company dated 12 March 2020 in respect of, among other things, major and connected transaction in relation to the proposed acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited.

RELATED PARTY TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

On 17 December 2020, Mazars CPA Limited ("Mazars"), Certified Public Accountants, has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of Ernst & Young, Certified Public Accountants.

Mazars will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the 2021 AGM.

Directors' Report

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.

On behalf of the Board

Lu Jianzhong
Chairman

Hong Kong, 31 March 2021

Corporate Governance Report

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

The Company has applied the principles and complied with the code provisions (the “Code”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the year ended 31 December 2020, save for deviation from the relevant Code A.6.7 listed below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the directors of the Company (the “Directors”) and senior management of the Company.

The Company has made specific enquiries to all the Directors and they have confirmed their compliance with the requirements as set out in the Model Code throughout the financial year of 2020.

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

THE BOARD

Board Composition

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

Executive Directors:

Mr. Lu Jianzhong (*Chairman*)

Mr. Yang Xingwen

Dr. Ma Chao (*Executive Vice-Chairman*)

Dr. Xu Zhihong (*Co-Chief Executive Officer*)

Mr. Wong Kwok Tung Gordon Allan (*Deputy Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Tsang Yok Sing, Jasper

Mr. Tse Yung Hoi

Mr. Kwok Chi Shing

The biographical information of all Directors as of the date of this annual report are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 9 to 12 of this annual report. The list of Directors and their role and function is also disclosed in the websites of the Company and the Stock Exchange. None of the members of the Board is related to one another.

Corporate Governance Report

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

The positions of the Chairman, Executive Vice-Chairman, Co-Chief Executive Officer and Deputy Chief Executive Officer of the Company are separately held by Mr. Lu Jianzhong, Dr. Ma Chao, Dr. Xu Zhihong and Mr. Wong Kwok Tung Gordon Allan respectively.

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

Independent Non-executive Directors

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

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

Directors' Appointment and Re-election

Code A.4.1 stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas Code A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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

In accordance with bye-law 102(B) of the Company's bye-laws, Dr. Xu Zhihong, Dr. Ma Chao, Mr. Kwok Chi Shing and Mr. Tsang Yok Sing, Jasper will retire at the 2021 AGM and, being eligible, and will offer themselves for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

Corporate Governance Report

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

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

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

Directors' Induction and Continuous Professional Development

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

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

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee has been established by the Board and comprises three members who are all Independent Non-executive Directors. Mr. Kwok Chi Shing is the chairman and Mr. Tsang Yok Sing, Jasper and Mr. Tse Yung Hoi are members.

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

Corporate Governance Report

The Audit Committee held three meetings during the financial year. The Audit Committee reviewed the audit plan; reviewed and considered the reports from the external auditor; reviewed the Company's audited consolidated financial statements for the year ended 31 December 2019 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 with recommendations to the Board for approval; reviewed internal control system of the Group and discussed with the management and external auditor on any changes in accounting policies and practices which may affect the Group and financial reporting matters; reviewed the framework and policy of risk management and internal control systems; and made recommendations to the Board in respect of the change of external auditor.

Remuneration Committee

The Remuneration Committee has been established by the Board and comprises three members with a majority of Independent Non-executive Directors. Mr. Tse Yung Hoi is the chairman and Mr. Tsang Yok Sing, Jasper and Mr. Kwok Chi Shing are the members.

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

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

Nomination Committee

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

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

Corporate Governance Report

The Nomination Committee held three meetings during the financial year to review the structure, size and composition of the Board and the board diversity policy; to assess the independence of the Independent Non-executive Directors; to consider the qualifications of the retiring Directors standing for election at the annual general meeting held on 29 May 2020; and to propose and made recommendation to the Board for the appointment of Executive Directors, Independent Non-executive Directors, Executive Vice-Chairman, Chief Executive, Co-Chief Executive and Company Secretary. In addition, written resolutions were passed by all members of the Nomination Committee and recommendations were made to the Board as and when needed.

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

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

Investment Committee

The Investment Committee has been established by the Board and comprises four members of executive Directors. Dr. Ma Chao is the chairman and Mr. Yang Xingwen, Dr. Xu Zhihong and Mr. Wong Kwok Tung Gordon Allan are the members.

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

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

Corporate Governance Functions

The Board is responsible for performing the functions as set out in the Code D.3.1 of the CG Code.

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

Corporate Governance Report

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEES MEMBERS

During the financial year, the Board held four meetings. With regards to general meetings, the Company held an annual general meeting on 29 May 2020 and a special general meeting on 11 March 2020. The attendance record of individual Director at the Board meetings, Board Committees meetings and the general meetings of the Company held during the financial year is set out in the table below:

Name of Director	Attendance/No. of meetings entitled to attend					
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Investment Committee Meeting	General Meeting
Executive Directors						
Mr. Lu Jianzhong (<i>Chairman</i>)	3/4	N/A	2/3	N/A	N/A	2/2
Mr. Yang Xingwen	4/4	N/A	N/A	N/A	2/2	2/2
Mr. Xu Lin (<i>Executive Vice-Chairman</i>) (appointed on 1 April 2020 and resigned on 1 February 2021)	2/3	N/A	N/A	1/2	2/2	1/1
Dr. Xu Zhihong (<i>Co-Chief Executive Officer</i>) (appointed on 1 September 2020)	1/1	N/A	N/A	N/A	2/2	N/A
Mr. Lai Kim Fung (<i>Co-Chief Executive Officer</i>) (resigned on 1 September 2020)	3/3	N/A	N/A	1/1	N/A	2/2
Mr. Wong Kwok Tung Gordon Allan (<i>Deputy Chief Executive Officer</i>)	4/4	N/A	N/A	N/A	2/2	2/2
Non-executive Directors						
Mr. Jean-Guy Carrier (resigned on 23 May 2020)	1/1	N/A	N/A	N/A	N/A	1/1
Dr. Cheng Kar-Shun, Henry (appointed on 28 August 2019 and resigned on 19 March 2021)	2/4	N/A	N/A	N/A	N/A	1/2
Independent Non-executive Directors						
Mr. Cheng Yuk Wo (retired on 29 May 2020)	1/1	1/1	1/1	1/1	N/A	2/2
Mr. Tsui Yiu Wa, Alec (retired on 29 May 2020)	1/1	1/1	1/1	1/1	N/A	2/2
Mr. Tse Yung Hoi	4/4	3/3	2/2	2/2	N/A	2/2
Mr. Wang Shi (resigned on 1 September 2020)	1/3	0/1	N/A	N/A	N/A	1/2
Mr. Kwok Chi Shing (appointed on 29 May 2020)	3/3	2/2	2/2	2/2	N/A	N/A
Mr. Tsang Yok Sing, Jasper (appointed on 1 September 2020)	1/1	1/1	N/A	1/1	N/A	N/A

Corporate Governance Report

COMPANY SECRETARY

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

Mr. Tang Man Joe (“Mr. Tang”) was the Company Secretary of the Company and resigned with effect from 18 September 2018 and 2 November 2020 respectively. Ms. Tsang Ngo Yin (“Ms. Tsang”) was appointed as the Company Secretary with effect from 2 November 2020. Ms. Tsang is a full-time employee of the Group and has day-to-day knowledge of the Company’s affairs. During the financial year, Ms. Tsang has complied with the relevant professional training requirement under rule 3.29 of the Listing Rules. The biographical details of Ms. Tsang are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 9 to 12 of this annual report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

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

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company, which give a true and fair view of the Group’s state of affairs, results and cash flows for the year ended 31 December 2020. The Directors consider that the financial statements have been prepared in conformity with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment, and had prepared the financial statements on a going concern basis.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed “Independent Auditor’s Report” on pages 45 to 51 of this annual report.

Auditors’ Remuneration

On 17 December 2020, Ernst & Young (“EY”) has resigned as the auditor of the Company and Mazars CPA Limited (“Mazars”) has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of EY. The Audit Committee has been notified of the nature and the charges of non-audit services performed by EY during the year under review and considered that such non-audit services have no adverse effect on the independence of the external auditors.

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

	EY HK\$’000	Mazars HK\$’000
Audit services for annual financial statements	—	1,500
Audit-related services for M&A transactions	200	—
Non-audit services (Note)	550	—
Total	750	1,500

Corporate Governance Report

Note:

The non-audit services primarily included interim review and other review services.

Risk Management and Internal Control

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

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

Right to put forward proposals at general meetings

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

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

Right to propose a person for election as a Director

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

Right to convene a special general meeting

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

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

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

Corporate Governance Report

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

CONSTITUTIONAL DOCUMENTS

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

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company has complied with the Code of the CG Code as set out in Appendix 14 of 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 was absent from the special general meeting held on 11 March 2020 and one Independent Non-executive Director was absent from the annual general meeting held on 29 May 2020. Other Non-executive Director and Independent Non-executive Directors had attended two general meetings to ensure effective communication with the Shareholders.

Environmental, Social and Governance Report

ABOUT THIS REPORT

DTXS Silk Road Investment Holdings Company Limited (hereafter the “Company”) together with its subsidiaries, (collectively, the “Group”) hereby presents the Environmental, Social and Governance Report (“ESG Report”, or the “Report”) of the financial year 2020 (“FY2020”, or the “current year”). The purpose of this Report is to outline the Group’s commitment and actions towards a business that supports sustainable development, which includes but not limited to environmental protection and ethical business practices. The Group regards this as an important value to its business operations going forward, as well as to enhance our communication with stakeholders.

SCOPE OF THIS REPORT

For the reporting period, the scope of this report covers the Company’s Head Office in Hong Kong, which includes back-end operations such as executive, administration, human resources and accounting, as well as operations from its e-Commerce division. However, this Report does not cover the relevant information with regards to the business from the Winery division, the Arts and Cultural division and property development division. The scope is decided based on its operations in Hong Kong, which will create the greatest potential for managing the environmental and social impacts of the Group’s operations in a holistic manner.

REPORTING FRAMEWORK

The ESG Report is written in accordance with the “comply or explain” provisions as set out in the Appendix 27 Environment, Social and Governance Reporting Guide under the Listing Rules and Guidance of the Hong Kong Stock Exchange.

REPORTING PERIOD

The ESG Report provides a holistic overview of the Group’s sustainability performance and corporate social responsibility between 1 January 2020 and 31 December 2020 (“the reporting period”), which aligns with the financial year as reported in this Annual Report.

CONTENT OF THIS REPORT

This Report summarizes the overall status of the Group in respect to corporate environmental and social responsibility for FY2020. It is prepared based on the material and relevant environmental and social aspects that pertains to the Group. The Group has gathered all relevant data and information from the best of the Group’s knowledge, in good faith and due care. The data measurement techniques and calculation methods used for this Report are stated where appropriate. Data and information from FY2020, as well as prior year (“FY2019”) for comparison purpose, are shown where appropriate.

Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

1. Environmental

The Group is committed to fulfil its responsibility to protect the environment from its business activities by reducing its carbon footprint and using resources effectively. We complied with all laws and regulations regarding environmental protection and encourages environmental protection by promoting awareness among our employees.

Environmental, Social and Governance Report

1.1 Emissions

During our business operation, greenhouse gases are inevitably emitted. For FY2020, the Group does not own, controlled or operate any equipment that causes direct emissions (Scope 1), hence, no air pollutants, including nitrogen oxides (NOx), sulphur oxides (SOx), Methane (CH4), refrigerants, and particulate matter (PM), were emitted. Consequently, the Group does not violate any relevant laws and regulations set under the Air Pollution Control Ordinance in FY2020.

The Group's emissions mainly comprised of indirect emissions electricity consumption generated from the daily operations from the e-Commerce division and the back-office of the Group, as well as small amount of Towngas use for private cooking (Scope 2). The Group also has emissions arise from office paper usage, water consumption and business air travel (Scope 3).

To the Group's knowledge, there are no waste discharges into the water and land, and no generation of hazardous waste were recorded in the current year. Thus, the Group does not violate any laws and regulations in relations to hazardous waste, such as the Hazardous Chemicals Control Ordinance.

The emission breakdowns of the Company, are stipulated below:

	FY2020 data (in tons of CO ₂ - equivalent)		FY2019 data (in tons of CO ₂ - equivalent)	
		Percentage		Percentage
Scope 1*:				
• N/A	—	—	—	—
Total:	—	—	—	—
Scope 2**:				
• Electricity Consumption	40.34	94.17%	43.26	83.13%
• Towngas	0.08	0.19%	—	—
Total:	40.42	94.36%	43.26	83.13%
Scope 3***:				
• Office Paper Usage	1.36	3.18%	1.23	2.36%
• Use of Fresh Water ¹	0.04	0.09%	0.01	0.03%
• Business Air Travel	1.01	2.36%	7.54	14.48%
Total:	2.41	5.64%	8.78	16.87%
Grand Total:	42.83	100.00%	52.04	100.00%

* **Scope 1:** Direct emissions from sources that are owned or controlled by the Group

** **Scope 2:** Indirect emissions from the generation of electricity consumed by the Group

*** **Scope 3:** All other indirect emissions as a consequence of the activities of the Group that occur from sources not owned or controlled by the Group

Environmental, Social and Governance Report

Calculation is based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by the Environmental Protection Department and Electrical and Mechanical Services Department of the HKSAR Government.

During the reporting period, the Company's total greenhouse gas emissions was 42.83 tons of CO₂ equivalent ("CO₂e").

Due to the Covid-19 pandemic in 2020, the Group saw a decline in overall emission when compared to last year by 17.7% (FY2020: 42.83 tons of CO₂e; FY2019: 52.04 tons of CO₂e). This was due to the reduction of electricity usage and air travels.

Since the social distancing measure have been enacted by the HKSAR Government, our staff has been divided into 2 teams, and taking shifts to work from home and the office, which lowered the overall electricity usage by 6.7%. Moreover, with the travel restrictions, the Group opted to use online conferences for meetings, and saw only one essential business travel during the year, thus seeing an 86.7% reduction in emissions made from air travel.

The Group will continue to maintain close monitoring on our operations to mitigate our emissions by taking effective measures to minimize the usage of resources, and enforce corresponding appropriate mitigation measures.

1.2 Carbon Reduction Measures and Resources Reduction Measures

The Group understands that its operations impacts carbon emissions, hence the Group initiated several carbon reduction measures, and made efforts on reducing the use of resources.

Electricity:

As a services orientated group, electricity usage contributes to most of the GHG emissions. The Group has put effort in using energy more efficiently. For example, the Group has used T5 and LED for all lighting. Starting from FY2019, an intelligent water dispensing machines with automatic electricity on-off feature has also been installed. Employees are also frequently reminded via email, printed notice and verbal promotion, to switch off air-conditioning, light switches and other electronic equipment after use.

Water:

To reduce water usage, signs are posted near faucets to remind staff to conserve water. A dishwasher with water saving feature was installed in the office, reducing time, effort and water resource to wash office kitchenware.

Waste management:

The Group has a waste management practices that reduces waste from daily business operations. One of the most effective ways is to reduce and reuse paper. We established practices in which two-sided paper for printing and photocopying are set to default. Paper with prints on one-side are reused by putting back to the paper recycling tray for staff to print non-essential documents. The Group also uses reusable envelopes when sending mail. This reduces the purchase of new virgin paper overall.

1 Use of Fresh Water for the Group during the reporting period: 93m³

Environmental, Social and Governance Report

Another waste management practice is the recycling program, which have also been promoted and encouraged. Recycling bins for aluminum cans, toner, batteries and newspaper, are also installed in the office. Our staff has continued to show support for the Group's recycling efforts. For example, recycling efforts of aluminum cans recycled in FY2020 did not decline even with personal hygiene reasons due to Covid-19 (FY2020: 222 cans collected, FY2019: 115 cans collected).

We will continue to commit and make consistent effort to find new ways to minimize the environmental impact from our operations whenever possible.

2. SOCIAL

The Group believes that employees are valuable assets, and their continuous contributions and efforts are vital to the Group's success. The Group believes in providing a pleasant, motivating and value-adding work environment that will lead to an improved well-being for all employees, and long-term retention of its employees.

2.1 Employment

The Group strives to attract and retain talents. In doing so, the Group has implemented and established the following measures:

Compliance:

Adhering to relevant employment laws included in the Employment Ordinance, Sex Discrimination Ordinance, and Race Discrimination Ordinance, the Group's employment contracts, policies and remuneration packages are in compliance with the required laws and regulations. During the reporting period, no non-compliance regarding employment was noted.

Employment:

To retain talent, the Group offers competitive remuneration packages and fringe benefits, corresponding to employees' experience, performance and job duties. The Group updated its Employment Handbook during the reporting period. Employees can refer to the new Employment Handbook, which gives all employees information on compensation, benefits, dismissal, working hours, rest days, leaves etc.

Equal opportunity:

The Group is also an equal opportunity employer. All employees are entitled to equal opportunities and fair treatment for their career development. All job applicants and existing employees are judged based on academics, personal achievements, individual performances. Factors such as race, gender, age, religious belief, marital status, sexual orientation, or other status protected by law, are not used and considered for recruitment selection or promotion opportunities. The Group complied with the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong) and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong).

Environmental, Social and Governance Report

The breakdown of the Group's staff is as follows:

	Head Office
Gender	
Male	9
Female	8
Employment type:	
Top management	6
Middle management	9
Staff	2
Age group:	
18–20	—
21–30	1
31–40	5
41–50	6
51–60	4
61 above	1
Education:	
University or above	12
High Diploma	3
Secondary school or below	2
Human Resources:	
Hiring	13
Turnover	18

Total staff: 17 Full Time Equivalent

2.2 Health and Safety

The Group upholds the belief that employee's safety is the first priority in our workplace. We are committed to prevent the occurrence of any kind of potential safety hazards, incidents and injuries, and to provide a healthy and safe working environment for all our employees.

In doing so, we strictly abide by the Occupational Safety and Health Ordinance, ensuring the health and safety of our employees and to prevent work-related injuries. During the reporting period, the Group was not aware of any non-compliance with any laws and regulations related to health and safety.

Health:

To ensure our employees are in healthy condition, air purifiers and plants are installed wherever appropriate in the office. Furthermore, we purchase employee medical compensation for all our employees, which includes a free annual medical checkup and dental insurance.

Environmental, Social and Governance Report

Safety:

We make sure our employees are in a safe working environment. The Group participates in fire/emergency evacuation drills organized by the tenant on a regular basis, which raises employee awareness and responsiveness in case of a fire emergency. In addition, the Group has purchased several types of insurances to cover for employees in case of unforeseeable accidents. This includes Fire and Office insurance and traveling insurance for employees who required business travelling.

With our efforts in ensuring employee's health and safety, the Group had recorded zero working injury and fatality cases for FY2020.

Covid-19 measures:

In addition to the regular health and safety measures, FY2020 saw the Covid-19 pandemic that affected humanity. Locally, we have seen heavy social-distancing measure and near lockdown situations. To mitigate the impact of Covid-19 affecting the Group's daily operations, the Group has taken a quick responses and precautionary measures to protect the health of employees. Firstly, face masks were freely provided in the office. Secondly, disinfection supplies such as hand sanitizers are supplied to employees. Thirdly, multiple alcohol sanitizers are also placed at workplace areas. Fourthly, sanitation and disinfection were carried frequently to maintain the hygiene of the workspace. Fifthly, staff who went overseas for traveling must go under the mandatory quarantine procedures as set out by the HKSAR Government. Finally, staff were split into two teams to rotate for working at the office and working at home arrangement.

2.3 Development and Training

The Group considers the skills and knowledge of our employees a vital importance to the Group's growth.

Development:

The Group is an equal-opportunity employer. We have implemented a fair and open appraisal system to monitor and evaluate an employee's performance on an annual basis. The appraisal system can assist supervisors or department heads in making objective decisions on each employee's performance and promotion opportunities. Furthermore, it provides a good opportunity to strengthen communication between employees and supervisors to gather feedbacks, provide concrete suggestions for improvement, and discuss on career development and career aspirations.

Training:

The Group believes in creating a workplace that can foster growth by providing training opportunities for our employees to enhance their working capabilities and management competence. By doing so, we sponsor our employees to take continuous professional development (CPD) trainings provided by professional bodies.

2.4 Labor Standards

The Group fully complies with the relevant labor laws legislation in Hong Kong that prohibits child labor and forced labor. We ensure new recruits are valid for working by cross checking on the personal information written on the CV, to the personal information in valid identification and/or working visas during the recruitment process. Any forms of child labor, illegal workers and/or forced labor are strictly prohibited in our business operations. In addition also monitor our suppliers to ensure that no cases of child labour or forced labour occurred.

Environmental, Social and Governance Report

Employees are provided with a workplace that is safe and healthy, creating a working environment with mutual respect, support and transparency. All employees work freely and equally in the Group without forced labor. We have zero tolerance to any sort of discrimination or harassment behavior.

During the reporting period, the Group has not been notified of any violation of laws and regulations on employee discrimination, anti-child-labor, and forced-labor.

2.5 Supply Chain Management

The Group's primary operation revolves around back-office works and general information technology operations. Thus, the required supplies fall into several categories, including office supplies, information technology, communications and utilities.

For the Group supply chain practice, we have mechanisms to ensure principled and practical purchasing of supplies. For instance, proper segregation of duties are in place when ordering supplies. The person initiating the purchase must be reviewed by another person, usually his/her supervisor. For any single purchase over HK\$10,000, an approval by the chief executive officer of the Company is necessary. In addition, when an employee wishes to order supplies, an evaluation will be made by the Human Resources Department to determine if it is necessary or not with the purchase order. In addition, employees dealing with suppliers and contractors are required to declare any conflict of interest, and communication channels are in place so that any concerns about suspected misconduct, malpractice or impropriety could be raised confidentially.

To align with the Group's stance on protecting the environment, supplies are purchased locally to minimize excess emissions from shipping logistics, and will purchase certified with environmental labels (e.g. PEFC certified paper) whenever possible. In addition, the Group heavily promotes the re-use of supplies to minimize unnecessary purchasing and waste.

Our procurement and resources management processes are continuously being monitored and properly documented. The Group has established a supply chain management system to ensure only suppliers that are able to provide qualified services and products and adhere to the relevant environmental and safety protections standards are selected.

2.6 Product Responsibility

The Group is committed to consistently provide high quality products and services that are in accordance with the requirement of our customers, and with the relevant laws and regulations.

The Group's e-Commerce division, namely eSilkTrade, is a business-to-business platform on information for cross-border trading of wine, cosmetics, electronics, while also integrating with suppliers, buyers, and logistic service providers. The business and operation are based focused in Hong Kong. Due to the nature of e-Commerce, the Group is committed to protecting the privacy of its customers, employees, business partners and suppliers by maintaining a safe and secure data environment. In order to maintain a safe internet platform for clients, the Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) by ensuring the highest standard of information security and protection.

Environmental, Social and Governance Report

The following principles are adopted in regards to data and security:

- The platform only collects relevant company information that is required for communication. We do not request for any personal information of our clients.
- The Group does not share personal data to any organization and/or business that is not a member of the platform.
- The website and all data are encrypted to protect against unauthorized access to company information.
- We regularly update our computer system to avoid any possible hackers' activities.

During the reporting period, the Group did not have any non-compliance with applicable laws and regulations in regards to personal data.

2.7 Anti-Corruption

The Group strictly prohibits any corruption and bribery activities that compromise the interest of our shareholders, investors, customers, and other stakeholders. We comply with the law and regulation regarding bribery, extortion, fraud and money laundering as stipulated in the Prevention of Bribery Ordinance. Employees at all levels are expected to behave with integrity, impartiality and ethically. We have zero tolerance on any forms of bribery, corruption and fraud.

The Group has established and implemented anti-corrupting measures. Anti-bribery policies are clearly stated in the staff handbook. We have also established a prevention system, which sets up relevant whistle-blowing procedures by setting up a private communication channel on reporting suspicious fraudulent actions to the Group's management directly. Furthermore, training on anti-corruption are provided from time to time.

The conduct of employee is closely monitored by management in preventing corruption. We conduct reviews on the effectiveness of the internal control systems, as well as providing training to employees on anti-corruption on a timely basis.

During the reporting period, the Group did not receive any non-compliance with relevant laws and regulations on anti-corruption.

2.8 Community

As a responsible company, the Group understands the importance for making positive contribution towards the community where it operates.

We continue to support the disadvantaged community in ways that is suitable for our business operations, such as purchasing environmentally friendly stationaries from a stationary store operated by a disabled owner as one of our methods for social responsibility. We strongly encourage our employees to locate and source supplies from social enterprises whenever possible as well.

Due to the pandemic, the Group was unable to do community works during the reporting period. The Group will reevaluate and resume its community-based activities once it is safe to do so and will base the decision off the latest government's policy.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of goodwill</i> <i>Refer to Note 22 to the consolidated financial statements</i></p> <p>At 31 December 2020, the Group had goodwill, net of impairment loss, of approximately HK\$137,111,000 (2019: approximately HK\$128,563,000), relating to the cash-generating unit ("CGU") of the Group's auction business.</p> <p>The Group's impairment assessment of goodwill is performed by using the value-in-use calculation based on the discounted cash flow method. In order to support the management's estimation, the Group engaged an independent valuer to perform valuation on the CGU at the end of the reporting period.</p> <p>We have identified the above matter as a key audit matter because of the significance of the carrying value of the goodwill and the significant judgements and estimations involved in the estimation of the value-in-use of the CGU of the auction business, including expected future cash flows and the discount rate.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none">enquiring of management the key assumptions applied in the cash flow projection, such as the revenue growth rates and gross margins, and comparing them to historical information and our understanding of the latest operating information and conditions and evaluating the assumptions;reviewing the valuation report from the valuer and holding discussions with the management and the valuer to understand and assess the appropriateness of the valuation basis and methodology used, and underlying assumptions applied;evaluating the objectivity, capabilities and competence of the valuer; andassessing the adequacy of the disclosures of the Group's impairment assessment of goodwill in the consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of properties under development and completed properties held for sale

Refer to Note 23 to the consolidated financial statements

Our key procedures, among others, included:

At 31 December 2020, the Group had various properties under development and completed properties held for sale (the "Properties") located in the People's Republic of China with carrying amounts of approximately HK\$1,021,985,000 and HK\$176,835,000, respectively.

The Properties are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. The net realisable value was determined by the management with reference to the valuation performed by an independent valuer.

We have identified the above matter as a key audit matter because of the significance of carrying value of the Properties and the estimation of net realisable value of the Properties involved significant judgements and estimations.

- reviewing the valuation report from the valuer and holding discussions with management and valuer to understand and evaluate the valuation basis and methodology used, and the underlying assumptions applied;
- evaluating the objectivity, capabilities and competence of the valuer;
- assessing, on a sampling basis, the reasonableness of the construction budgets of the Properties by comparing them to actual construction costs incurred for other properties developed by the Group; and
- obtaining, on a sample basis, the underlying data including comparable market transactions being used and assessing the appropriateness.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of advances to consignors and related interest receivables</i></p> <p><i>Refer to Note 25 to the consolidated financial statements</i></p> <p>At 31 December 2020, the Group had advances to consignors of works of art (the "Advances to Consignors") of approximately HK\$481,036,000 and related interest receivables of approximately HK\$55,182,000.</p> <p>The Group provides certain consignors of works of art with advances secured by the works of art which are held by the Group as collateral. The advances granted to consignors generally do not exceed 40% of the collateral's market value estimated by the Group's internal art experts. If the work of art is sold in auction, the proceeds received from the buyer, after deducting commission, advances, interest and relevant taxes, will be paid to the consignor. If the work of art remains unsold, the consignor will be required to repay the advance together with interest before the work of art is returned to the consignor.</p> <p>We have identified the impairment assessment of the Advances to Consignors and related interest receivables as a key audit matter because the significant amounts involved and significant judgements and estimations were made by management in determining the loss allowances for such advances and related interest receivables, which involve the estimation of the market value of works of art. The Group also engaged external art experts to perform the valuations of works of art which were held by the Group as collateral at the end of the reporting period.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation of key internal controls over the approval, monitoring and collection of the Advances to Consignors and related interest receivables;• obtaining and reviewing the expected credit loss calculation prepared by management;• evaluating, on a sampling basis, management's assessment of the value of collateral held by the Group by comparing management's estimation with the valuation reports from the art experts, comparing the carrying value of the Advances to Consignors with the value of collateral, and reviewing historical auction prices of collateral sold;• assessing the internal and external art experts' competence, objectivity and capabilities; and• in respect of the Advances to Consignors and related interest receivables, assessing, on a sampling basis, the external evidence obtained (e.g. public information available to us), and testing the historical settlement pattern, subsequent settlement and forward-looking factors specific to the consignors.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

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

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 31 March 2021

The engagement director on the audit resulting in this independent auditor's report is:

She Shing Pang

Practising Certificate number: P05510

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers	7	147,032	195,304
Interest income from advances to consignors	7	43,613	39,451
Gross rental income	7	2,536	666
		193,181	235,421
Other income	8	19,173	3,181
Costs of inventories sold		(111,272)	(176,768)
Auction and related services costs		—	(5,508)
Staff costs	9(a)	(40,602)	(21,794)
Depreciation and amortisation expenses	9(b)	(22,226)	(18,458)
Other operating expenses		(18,867)	(25,088)
Other gains and losses	10	(3,367)	(10,098)
Finance costs	11	(2,657)	(283)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	9	13,363	(19,395)
Income tax credits (expenses)	14	1,556	(2,384)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		14,919	(21,779)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	36(a)	15,319	29,946
PROFIT FOR THE YEAR		30,238	8,167
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		41,687	(2,464)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		71,925	5,703

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Profit (loss) for the year attributable to:		
Equity holders of the Company	32,556	10,286
Non-controlling interests	(2,318)	(2,119)
	30,238	8,167
Total comprehensive income (expense) for the year attributable to:		
Equity holders of the Company	68,437	9,347
Non-controlling interests	3,488	(3,644)
	71,925	5,703
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<i>16</i>	
Basic		
— For profit for the year	HK4.88 cents	HK1.73 cents
— For profit (loss) from continuing operations	HK2.58 cents	HK(3.31) cents
Diluted		
— For profit for the year	HK4.85 cents	HK1.72 cents
— For profit (loss) from continuing operations	HK2.57 cents	HK(3.31) cents

Consolidated Statement of Financial Position

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	113,397	121,656
Investment properties	19	50,392	52,377
Intangible assets	21	77,719	80,300
Goodwill	22	137,111	128,563
Deferred tax assets	31	15,849	—
Properties under development	23	19,527	—
Deposit paid for acquisition of subsidiaries	25	—	63,501
		413,995	446,397
CURRENT ASSETS			
Properties under development	23	1,002,458	—
Completed properties held for sale	23	176,835	—
Inventories	24	47,847	49,019
Trade and other receivables	25	620,038	515,984
Loans receivable	26	7,488	—
Restricted bank deposits	27	2,586	—
Cash and cash equivalents	28	193,396	350,066
		2,050,648	915,069
Assets of disposal group classified as held for sale	36(a)	—	32,540
		2,050,648	947,609
CURRENT LIABILITIES			
Trade and other payables	29	410,636	51,329
Interest-bearing borrowings	30	711,793	—
Tax liabilities		80,170	9,223
		1,202,599	60,552
Liabilities directly associated with assets classified as held for sale	36(a)	—	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

Consolidated Statement of Financial Position

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT LIABILITIES			
Other payables	<i>20(b), 29</i>	920	8,602
Deferred tax liabilities	<i>31</i>	19,408	20,932
		20,328	29,534
NET ASSETS			
		1,241,716	1,272,817
CAPITAL AND RESERVES			
Share capital	<i>32</i>	333,763	333,730
Reserves	<i>34</i>	824,603	931,277
Equity attributable to equity holders of the Company		1,158,366	1,265,007
Non-controlling interests	<i>17</i>	83,350	7,810
TOTAL EQUITY			
		1,241,716	1,272,817

These consolidated financial statements on pages 52 to 143 were approved and authorised for issue by the Board of Directors on 31 March 2021 and signed on its behalf by

Xu Zhihong
Director

Wong Kwok Tung Gordon Allan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to equity holders of the Company											Non-Controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Scheme reserve	Revaluation reserve	Capital reserve	Merger reserve	Accumulated losses	Total		
	(Note 32) HK\$'000	(Note 34(a)) HK\$'000	(Note 33) HK\$'000	(Note 34(a)) HK\$'000	HK\$'000	(Note 34(b)) HK\$'000	HK\$'000	(Note 34(c)) HK\$'000	(Note 35) HK\$'000	HK\$'000	HK\$'000		
At 1 January 2019	277,969	1,026,910	31,774	1,264	(5,182)	—	3,293	—	—	(679,703)	656,325	9,537	665,862
Profit for the year	—	—	—	—	—	—	—	—	—	10,286	10,286	(2,119)	8,167
Other comprehensive income (expense):													
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>													
Gain on revaluation of property, plant and equipment, net of tax	—	—	—	—	—	—	5,375	—	—	—	5,375	—	5,375
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>													
Exchange difference on translation of foreign operations	—	—	—	—	(6,314)	—	—	—	—	—	(6,314)	(1,525)	(7,839)
Total comprehensive income (expense) for the year	—	—	—	—	(6,314)	—	5,375	—	—	10,286	9,347	(3,644)	5,703
Transactions with owners:													
<i>Contributions and distributions</i>													
Issue of shares (Note 32(a))	55,594	543,407	—	—	—	—	—	—	—	—	599,001	—	599,001
Disposal of subsidiaries (Note 36(b))	—	—	—	—	—	—	—	—	—	—	—	1,917	1,917
Exercise of share options (Notes 32 and 33)	167	1,345	(504)	—	—	—	—	—	—	—	1,008	—	1,008
Share issue expenses	—	(2,073)	—	—	—	—	—	—	—	—	(2,073)	—	(2,073)
Transfer of share option reserve upon the forfeiture of share options	—	—	(7,710)	—	—	—	—	—	—	7,710	—	—	—
Equity-settled share option arrangements (Note 33)	—	—	1,399	—	—	—	—	—	—	—	1,399	—	1,399
	55,761	542,679	(6,815)	—	—	—	—	—	—	7,710	599,335	1,917	601,252
At 31 December 2019	333,730	1,569,589*	24,959*	1,264*	(11,496)*	—*	8,668*	—*	—*	(661,707)*	1,265,007	7,810	1,272,817
At 1 January 2020	333,730	1,569,589*	24,959*	1,264*	(11,496)*	—*	8,668*	—*	—*	(661,707)*	1,265,007	7,810	1,272,817
Profit for the year	—	—	—	—	—	—	—	—	—	32,556	32,556	(2,318)	30,238
Other comprehensive income:													
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>													
Exchange difference on translation of foreign operations	—	—	—	—	35,881	—	—	—	—	—	35,881	5,806	41,687
Total comprehensive income for the year	—	—	—	—	35,881	—	—	—	—	32,556	68,437	3,488	71,925
Transactions with owners:													
<i>Contributions and distributions</i>													
Disposal of subsidiaries (Note 36(a))	—	—	—	—	—	—	(5,850)	—	—	5,850	—	—	—
Exercise of share options (Notes 32 and 33)	33	302	(108)	—	—	—	—	—	—	—	227	—	227
Acquisition of subsidiaries under common control (Note 35)	—	—	—	—	—	—	—	—	(179,433)	—	(179,433)	72,052	(107,381)
Transfer of share option reserve upon the forfeiture of share options	—	—	(9,578)	—	—	—	—	—	—	9,578	—	—	—
Equity-settled share option arrangements (Note 33)	—	—	4,128	—	—	—	—	—	—	—	4,128	—	4,128
	33	302	(5,558)	—	—	—	(5,850)	—	(179,433)	15,428	(175,078)	72,052	(103,026)
At 31 December 2020	333,763	1,569,891*	19,401*	1,264*	24,385*	—*	2,818*	—*	(179,433)*	(613,723)*	1,158,366	83,350	1,241,716

* At 31 December 2020, these reserve accounts comprise the consolidated reserves of approximately HK\$824,603,000 (2019: HK\$931,277,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
Profit (Loss) before tax			
From continuing operations		13,363	(19,395)
From discontinued operation		15,319	29,946
Adjustments for:			
Depreciation and amortisation expenses		22,226	21,095
Impairment of trade and other receivables		3,836	276
Impairment of property, plant and equipment	18	—	5,456
Write off of advances to consignors and related interest receivables		8,817	—
Write off of other receivables		79	—
Fair value loss on investment properties		5,173	—
(Gain) Loss on disposal of subsidiaries	36	(15,319)	1,734
Gain on disposal of property, plant and equipment		—	(9)
Gain on termination of lease		(34)	—
Finance costs		2,657	2,669
Bank interest income		(1,268)	(2,274)
Interest income from loans receivable		(8,214)	—
Share-based payment expenses	9(a)	4,128	1,399
Exchange differences		(6,369)	2,908
CASH FLOWS GENERATED FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL		44,394	43,805
Change in working capital:			
Properties under development		(94,575)	—
Completed properties held for sale		9,506	—
Inventories		227	(5,396)
Trade and other receivables		(58,896)	(218,436)
Trade and other payables		5,229	(14,462)
CASH USED IN OPERATIONS		(94,115)	(194,489)
Bank interest received		1,268	2,274
Interest paid		(517)	(289)
Income tax paid		(940)	(1,031)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(94,304)	(193,535)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(759)	(254)
Proceeds on disposal of property, plant and equipment		—	51
Acquisition of subsidiaries under common control	35	(144,823)	—
Net proceeds from disposal of subsidiaries	36(a)	15,810	—
Repayment of loans receivable, net		73,370	9,719
Loans to an independent third party		(7,525)	—
Deposit paid for acquisition of subsidiaries		—	(63,501)
Increase of restricted bank deposits		(156)	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(64,083)	(53,985)
FINANCING ACTIVITIES			
Inception of interest-bearing borrowings		—	20,757
Repayment of interest-bearing borrowings		—	(71,793)
Principal portion of lease payments	39(c)	(8,844)	(2,716)
Proceeds from issue of shares		—	599,001
Proceeds from exercise of share options		227	1,008
Share issue expenses		—	(1,073)
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		(8,617)	545,184
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(167,004)	297,664
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR			
Cash and cash equivalents as stated in the consolidated statement of financial position at beginning of year		350,066	54,437
Cash and cash equivalents attributable to discontinued operation at beginning of year		946	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		351,012	54,437
Effect of foreign exchange rate changes, net		9,388	(1,089)
CASH AND CASH EQUIVALENTS AT END OF YEAR		193,396	351,012
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		193,396	180,530
Non-pledged time deposits with original maturity of less than three months when acquired		—	169,536
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		193,396	350,066
CASH AND CASH EQUIVALENTS ATTRIBUTABLE TO DISCONTINUED OPERATION	36(a)	—	946
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		193,396	351,012

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

DTXS Silk Road Investment Holdings Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and its principal place of business is located at Room 811-817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, 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
- sales and leasing of vessels, provision of marine engineering, vessel management and related services (discontinued during the year ended 31 December 2019)

In the opinion of the Company’s directors, 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 is 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 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.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of new/revised HKFRSs that are relevant to the Group and effective from the current period or the Group elected to early adopt in the current period as set out in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2. BASIS OF PREPARATION (Continued)

Structured arrangements

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

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

- (i) Exclusive Operation and Technology Support Services Agreement;
- (ii) Exclusive Right to Purchase Agreement;
- (iii) The Voting Rights Proxy Agreement; and
- (iv) Equity Pledge Agreement.

Details of the Structured Arrangements are set out in the section headed “the Structured Contractual Arrangements” in the Company’s announcement dated 20 June 2016.

The Structured Arrangements are irrevocable and enable the Group to:

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

The above Structured Arrangements effectively transfer the controls over the economic benefits and pass the risks associated with the business of Beijing Phoenixstar to the Group. Accordingly, Beijing Phoenixstar is accounted for as a wholly-owned subsidiary of the Group since the completion of the acquisition of KSLF (HK) for accounting purposes.

* For identification purpose only

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Future changes in HKFRSs

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

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs 2018-2020 Cycle ²	
Amendments to HKAS 1 HKFRS 17	Classification of Liabilities as Current or Non-current ³ Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ The effective date to be determined

The directors 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. PRINCIPAL ACCOUNTING POLICIES

Subsidiaries

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of NCI are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for NCI and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

Business combination under common control is accounted for using the pooling-of-interest method and the results of the acquiree are consolidated by the Group from the date of acquisition, being the date on which the Group contains control, and continue to be consolidated until the date that such control ceases.

Under the pooling-of-interests methods, the assets and liabilities of the acquiree are stated at their historical carrying values at the date of acquisition and the difference between the consideration transferred for a business combination under common control and the acquisition date historical net asset values of the acquiree attributable to the Group as combined by the Group is accounted for as a contribution from or a distribution to, as appropriate, the Ultimate Controlling Parties of the Group in "merger reserve" within the consolidated statement of changes in equity. Accordingly, there is no goodwill or gain on bargain purchase as a result of a business combination under common control.

Fair value measurement

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets, other than goodwill

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than floating craft and vessels, are stated at cost less accumulated depreciation and any impairment losses. Floating craft and vessels which were classified as part of the disposal group at 31 December 2019 are stated at valuation less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of revalued property, plant and equipment are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the revaluation reserve to accumulated losses is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Owned assets

Freehold land	Not depreciated
Buildings	3.3% to 6.3%
Leasehold improvements	Over the shorter of the lease terms and 33.3%
Floating craft and vessels	9% to 100%
Plant, machinery and workshop equipment	5% to 20%
Furniture, fixtures and office equipment	20% to 33.3%
Motor vehicles	20% to 33.3%
Bearer plants	5%

Right-of-use assets

Leasehold land	Over the shorter of the lease terms and estimated useful lives
Buildings	1.75 to 2 years

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment" above.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a NCI in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Brands, customer relationship and computer software

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

Brands	20 years
Customer relationship	5 years
Computer software	3 years

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Properties under development

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

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

Completed properties held for sale

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

Government grants

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases

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

The Group has applied the practical expedient provided in Amendments to HKFRS 16: Covid-19-Related Rent Concessions and does not assess whether eligible rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Group as a lessor

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

The Group's financial assets include deposit for acquisition of subsidiaries, trade and other receivables, loans receivable, restricted bank deposits and cash and cash equivalents.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVPL

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

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

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

Impairment of financial assets

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

General approach

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

Simplified approach

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

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

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

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

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

(a) Sale of merchandises, wines and properties

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

(b) Provision of auction and related services

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

(c) Provision of marine engineering services (discontinued operation in the prior year)

The provision of marine engineering services mainly includes the provision of marine engineering, vessel management and related services. Revenue from the provision of marine engineering services is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance.

(d) Sale of vessels (discontinued operation in the prior year)

Revenue from the sale of vessels is recognised at the point in time when control of the vessel is transferred to the customer, generally on delivery of the vessel.

Revenue from other sources

Rental income

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources *(Continued)*

Interest income

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

Contract liabilities

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 33 to the consolidated financial statements.

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

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

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

Other employee benefits

Pension schemes

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

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

Segment reporting

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Structured Arrangements

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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

Judgements *(Continued)*

Structured Arrangements *(Continued)*

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

Identification of leases

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

Estimation uncertainty

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

Useful lives of property, plant and equipment and intangible assets

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

Impairment of property, plant and equipment and intangible assets

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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

Estimation uncertainty *(Continued)*

Impairment assessment of goodwill

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

Estimation of fair value of investment properties

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

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

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

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

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

Land appreciation tax

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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

Estimation uncertainty *(Continued)*

Impairment assessment of advances to consignors and related interest receivables

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

6. OPERATING SEGMENT INFORMATION

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

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

6. OPERATING SEGMENT INFORMATION (Continued)

(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 described in Note 4 to the consolidated financial statements. Segment results represent the profit/loss of each segment without allocation of central administration costs, directors' remuneration, 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 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue (Note 7)												
Revenue from external customers												
— Revenue from contracts with customers under HKFRS 15 (Note 7(a))	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	75,521	55,234	107,679	180,602	9,991	—	193,191	235,836	(10)	(415)	193,181	235,421
Segment results*	49,264	20,663	(6,232)	(5,797)	(4,389)	—	38,643	14,866	—	—	38,643	14,866
<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											13,363	(19,395)
Other segment information:												
Depreciation and amortisation	14,434	12,335	541	563	597	—	15,572	12,898	—	—	15,572	12,898
Unallocated											6,654	5,560
											22,226	18,458
Capital expenditure#	17	172	35	228	—	—	52	400	—	—	52	400
Unallocated											707	16,192
											759	16,592
Impairment of property, plant and equipment	—	—	—	5,456	—	—	—	5,456	—	—	—	5,456
Impairment of trade and other receivables	—	—	3,836	—	—	—	3,836	—	—	—	3,836	—
Write off of other receivables	—	—	79	—	—	—	79	—	—	—	79	—
Write off of advances to consignors and related interest receivables	8,817	—	—	—	—	—	8,817	—	—	—	8,817	—
Compensation for profit guarantee	(2,888)	—	—	—	—	—	(2,888)	—	—	—	(2,888)	—
Gross rental income from completed properties held for sale	—	—	—	—	(3,138)	—	(3,138)	—	—	—	(3,138)	—
Interest income from loans receivable	—	—	—	—	(8,214)	—	(8,214)	—	—	—	(8,214)	—
Fair value loss on investment properties	5,173	—	—	—	—	—	5,173	—	—	—	5,173	—

* Segment results are before tax

Capital expenditure consists of additions to property, plant and equipment

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

6. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group's operations are located in Hong Kong, Mainland China and France. The following table sets out information about the geographical locations of (i) the Group's revenue from 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 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
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
	193,181	235,421	398,146	382,896

(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:

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

7. REVENUE

An analysis of revenue from continuing operations is as follows:

	Note	2020 HK\$'000	2019 HK\$'000
<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
	7(a)	147,032	195,304
<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
		46,149	40,117
Total revenue		193,181	235,421

(a) Disaggregation of revenue information

For the year ended 31 December 2020

	Arts and Cultural Division HK\$'000	Winery and Trading Division HK\$'000	Property Development Division HK\$'000	Total HK\$'000
Types of goods or services				
Sale of merchandises and wines	—	107,669	—	107,669
Sale of properties	—	—	9,991	9,991
Auction and related services	29,372	—	—	29,372
Total revenue from contracts with customers under HKFRS 15	29,372	107,669	9,991	147,032
Geographical markets				
Mainland China	1,313	1,032	9,991	12,336
Hong Kong	28,059	106,042	—	134,101
France	—	595	—	595
Total revenue from contracts with customers under HKFRS 15	29,372	107,669	9,991	147,032

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

7. REVENUE (Continued)

(a) Disaggregation of revenue information (Continued)

For the year ended 31 December 2019

	Arts and Cultural Division HK\$'000	Winery and Trading Division HK\$'000	Total HK\$'000
Types of goods or services			
Sale of merchandises and wines	529	180,187	180,716
Auction and related services	14,588	—	14,588
Total revenue from contracts with customers under HKFRS 15	15,117	180,187	195,304
Geographical markets			
Mainland China	10,105	523	10,628
Hong Kong	5,012	179,276	184,288
France	—	388	388
Total revenue from contracts with customers under HKFRS 15	15,117	180,187	195,304

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

8. OTHER INCOME

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

	Note	2020 HK\$'000	2019 HK\$'000
Bank interest income		1,268	2,272
Compensation for profit guarantee	8(a)	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
		19,173	3,181

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

8. OTHER INCOME (Continued)

(a) Included in the sale and purchase agreement of the acquisition of the auction business in 2016 was a contingent consideration arrangement of average profit guarantee, which has been extended to 31 December 2019. The directors of the Company assessed that the fair value of the contingent consideration receivable was insignificant at 31 December 2019. On 30 September 2020, the Company received the shortfall of average net profit as compensation of the profit guarantee regarding to the auction business cash-generating unit of approximately Renminbi ("RMB") 2,500,000 (equivalent to approximately HK\$2,888,000). Details of the compensation of profit guarantee are set out in the Company's announcement dated 30 September 2020.

9. PROFIT (LOSS) BEFORE TAX

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

	2020 HK\$'000	2019 HK\$'000
(a) Staff costs (including the directors' remuneration)		
Salaries, allowances and other benefits in kind	35,134	19,671
Contributions to defined contribution retirement plans (Note)	1,340	724
Share-based payment expenses	4,128	1,399
	40,602	21,794
(b) Depreciation and amortisation expenses		
Depreciation of owned assets	5,072	6,242
Less: Amount included in inventory overheads	(1,101)	(1,161)
	3,971	5,081
Depreciation of right-of-use assets	10,775	5,831
Amortisation of intangible assets	7,480	7,546
	22,226	18,458
(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

Note: To support the PRC entities under Covid-19, starting from February 2020, the relevant PRC government authorities has given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the society security insurance.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

10. OTHER GAINS AND LOSSES

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

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Impairment of property, plant and equipment	18	—	(5,456)
Impairment of trade and other receivables	25(a), 25(b)	(3,836)	—
Write off of advances to consignors and related interest receivables	25(b)	(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	19	(5,173)	—
Loss on disposal of subsidiaries	36(b)	—	(1,734)
		(3,367)	(10,098)

11. FINANCE COSTS

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

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

The borrowing costs related to interest-bearing borrowings specific to property development were entirely capitalised. The remaining borrowing costs were related to other interest-bearing borrowings for general working capital.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

12. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK\$'000	2019 HK\$'000
Fees	1,675	2,044
Other emoluments:		
Salaries, allowances and other benefits in kind	8,989	3,991
Share-based payment expenses	4,128	1,560
Contributions to defined contribution retirement plans	86	54
	13,203	5,605
	14,878	7,649

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Share-based payment expenses HK\$'000	Contributions to defined contribution retirement plans HK\$'000	Total HK\$'000
2020					
Executive directors:					
Lai Kim Fung [^] (Co-Chief Executive Officer)	—	2,410	—	24	2,434
Lu Jianzhong (Chairman)	—	360	—	—	360
Wong Kwok Tung Gordon Allan (Deputy Chief Executive Officer)	—	846	—	26	872
Xu Lin ^{*^} (Executive Vice-chairman)	—	2,601	2,664	24	5,289
Xu Zhihong ^{*#} (Co-Chief Executive Officer)	—	2,412	1,464	12	3,888
Yang Xingwen	—	360	—	—	360
Non-executive directors:					
Cheng Kar-Shun, Henry [^]	360	—	—	—	360
Jean-Guy Carrier [^]	142	—	—	—	142
Independent non-executive directors:					
Cheng Yuk Wo [@]	148	—	—	—	148
Kwok Chi Shing [*]	177	—	—	—	177
Tsui Yiu Wa, Alec [@]	148	—	—	—	148
Tse Yung Hoi	360	—	—	—	360
Tsang Yok Sing, Jasper [*]	100	—	—	—	100
Wang Shi [^]	240	—	—	—	240
	1,675	8,989	4,128	86	14,878

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

12. DIRECTORS' REMUNERATION (Continued)

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Share-based payment expenses HK\$'000	Contributions to defined contribution retirement plans HK\$'000	Total HK\$'000
2019					
Executive directors					
Lai Kim Fung (Chief Executive Officer)	—	2,911	1,443	36	4,390
Lu Jianzhong (Chairman)	—	360	41	—	401
Wong Kwok Tung Gordon Allan (Deputy Chief Executive Officer)	—	360	29	18	407
Yang Xingwen	—	360	29	—	389
Non-executive directors:					
Cheng Kar-Shun, Henry*	124	—	—	—	124
Jean-Guy Carrier	360	—	3	—	363
Independent non-executive directors:					
Cheng Yuk Wo	360	—	3	—	363
Fan Chu Fun, Fanny^	120	—	3	—	123
Tsui Yiu Wa, Alec	360	—	3	—	363
Tse Yung Hoi	360	—	3	—	363
Wang Shi	360	—	3	—	363
	2,044	3,991	1,560	54	7,649

* Xu Lin and Xu Zhihong have been appointed as executive directors of the Company with effect from 1 April 2020 and 1 September 2020, respectively. Cheng Kar-Shun, Henry has been appointed as a non-executive director of the Company with effect from 28 August 2019. Kwok Chi Shing and Tsang Yok Sing, Jasper have been appointed as independent non-executive directors of the Company with effect from 29 May 2020 and 1 September 2020, respectively.

^ Lai Kim Fung, co-chief executive officer, and Xu Lin, executive vice-chairman, have resigned as executive directors of the Company with effect from 1 September 2020 and 1 February 2021, respectively. Jean-Guy Carrier and Cheng Kar-Shun, Henry have resigned as non-executive directors of the Company with effect from 23 May 2020 and 19 March 2021, respectively. Fan Chiu Fun, Fanny and Wang Shi have resigned as independent non-executive directors of the Company with effect from 1 May 2019 and 1 September 2020, respectively.

© Cheng Yuk Wo and Tsui Yiu Wa, Alec have retired as independent non-executive directors of the Company with effect from 29 May 2020.

Lai Kim Fung has been re-designated from chief executive office to co-chief executive officer of the Company with effect from 16 June 2020. Xu Zhihong was appointed as the co-chief executive officer of the Company on 16 June 2020 and re-designated from co-chief executive officer to chief executive officer of the Company with effect from 1 September 2020, and subsequently redesignated from chief executive officer to co-chief executive officer of the Company with effect from 12 March 2021.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

12. DIRECTORS' REMUNERATION (Continued)

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

During the years ended 31 December 2020 and 2019, certain directors were granted share options, in respect of their services to the Group under the share option schemes of the Company, further details of which are set out in Note 33 to the consolidated financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined at the date of grant and the amounts are included in the above directors' remuneration disclosures.

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2020 included three directors (2019: one director), details of whose remuneration are set out in Note 12 above. Details of the remuneration for the year ended 31 December 2020 of the remaining two (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	2,362	3,592
Contributions to defined contribution retirement plans	33	72
Share-based payment expenses	—	829
	2,395	4,493

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

13. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	—	3
HK\$1,000,001 to HK\$1,500,000	2	—
HK\$2,000,001 to HK\$2,500,000	—	1
	2	4

During the years ended 31 December 2020 and 2019, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are set out in Note 33 to the consolidated financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined at the date of grant and the amount are included in the consolidated financial statements for the current period is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures. During the year ended 31 December 2020, upon the resignation of the employee, the share options granted but not vested were all forfeited. None of the share options was exercised and he was no longer eligible to the share option scheme upon his resignation.

During the years ended 31 December 2020 and 2019, no remuneration was paid by the Group to any of these highest paid non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as a compensation for loss of office. None of these highest paid non-director and non-chief executive highest paid employees waived or has agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

14. 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 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

14. INCOME TAX (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Current tax		
Hong Kong Profits Tax		
Current year	3,266	2,338
Overprovision in prior years	(4,747)	—
	(1,481)	2,338
PRC EIT	1,998	1,891
PRC LAT	796	—
	1,313	4,229
Deferred tax (Note 31)	(2,869)	(1,845)
Tax (credits) expenses for the year	(1,556)	2,384

	2020 HK\$'000	2019 HK\$'000
Reconciliation of income tax (credits) expenses		
Profit (Loss) before tax from continuing operations	13,363	(19,395)
Tax at the statutory tax rates of different jurisdictions	1,007	(4,169)
Lower tax rate enacted by local authorities	(165)	(165)
LAT	796	—
EIT effect of LAT	(193)	—
Income not subject to tax	(563)	(80)
Expenses not deductible for tax	2,970	1,931
Utilisation of previous unrecognised tax losses	(2,937)	(213)
Tax losses not recognised	2,304	5,080
Overprovision in prior years (Note)	(4,747)	—
Others	(28)	—
Tax (credits) expenses	(1,556)	2,384

Note: In May 2020, the Hong Kong Inland Revenue Department concluded tax treatment regarding certain deductible expenses with the Group, in which tax provision was already provided in prior years. As a result, the related provision was reversed during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

15. 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).

16. 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 HK\$'000	2019 HK\$'000
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	15,319	29,946
	32,556	10,286
Profit attributable to equity holders of the Company	32,556	10,286

	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	4,113,013	4,336,858
Weighted average number of ordinary shares in issue during the year used in the diluted earnings (loss) per share calculation	671,606,440	598,790,697

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

17. SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Phoenixstar*	The PRC	RMB10,000,000	—	100%	Auction business
KSLF (HK)	Hong Kong	HK\$1	—	100%	Auction business
DTXS Silk Road Investment (Hong Kong) Limited	Hong Kong	HK\$1,000,000	—	100%	Investment holding
DTXS Jewellery Resources (HK) Limited	Hong Kong	HK\$100,000	—	100%	Investment holding
DTXS International Wine & Spirits Trade (HK) Company Limited	Hong Kong	HK\$1	—	100%	Trading business
Silk Road Online Limited	Hong Kong	HK\$1	—	100%	Trading business
Xian Silk Road Commercial Consultancy Company Limited*	The PRC	RMB40,000,000	—	100%	Properties investment
西安絲綢之路商務信息諮詢有限公司**					
Wealthy Forest-Puy Bardens SAS	France	Euro 4,630,000	—	100%	Vineyard business
Xian Da Tang Xi Shi Enterprise Limited* ("DTXS Enterprise") 西安大唐西市實業有限公司^	The PRC	RMB166,500,000	—	70%	Properties development

* For identification purpose only.

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

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

^ Acquired during the year ended 31 December 2020 (Note 35).

The above table lists the subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group for the year ended 31 December 2020. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

17. SUBSIDIARIES (Continued)

Financial information of subsidiaries with individually material NCI

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

	DTXS Enterprise
At 31 December 2020	
Proportion of NCI's ownership interests	30%
	HK\$'000
Current assets	1,376,262
Non-current assets	36,227
Current liabilities	(1,168,153)
Net assets	244,336
Carrying amount of NCI	73,301
For the period from 12 March 2020 to 31 December 2020	
	HK\$'000
Revenue/Income	21,378
Expenses	(27,822)
Loss for the period	(6,444)
Other comprehensive income	16,743
Total comprehensive income	10,299
Loss for the period attributable to NCI	(1,933)
Total comprehensive income attributable to NCI	3,090
Dividends paid to NCI	—
Net cash flows (used in) from:	
Operating activities	(66,556)
Investing activities	73,365
Financing activities	128,329
Total cash inflows	135,138

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

18. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets					Owned assets							Total HK\$'000
	Leasehold land HK\$'000	Buildings HK\$'000	Sub-total HK\$'000	Leasehold improvements HK\$'000	Floating craft and vessels HK\$'000	Furniture, fixtures and office equipment HK\$'000	Plant, machinery and workshop equipment HK\$'000	Motor vehicles HK\$'000	Buildings HK\$'000	Freehold land HK\$'000	Bearer plants HK\$'000	Sub-total HK\$'000	
31 December 2020													
At 1 January 2020, net of accumulated depreciation and impairment	62,116	17,279	79,395	2,376	—	381	2,185	—	31,008	1,102	5,209	42,261	121,656
Additions from acquisition of subsidiaries under common control (Note 35)	—	—	—	—	—	132	—	1,621	—	—	—	1,753	1,753
Additions	—	—	—	—	—	—	52	707	—	—	—	759	759
Termination of lease	—	(2,138)	(2,138)	—	—	—	—	—	—	—	—	—	(2,138)
Depreciation	(1,924)	(8,851)	(10,775)	(2,139)	—	(181)	(166)	(705)	(1,582)	—	(299)	(5,072)	(15,847)
Exchange realignment	4,021	133	4,154	26	—	14	164	75	2,249	99	433	3,060	7,214
At 31 December 2020, net of accumulated depreciation and impairment	64,213	6,423	70,636	263	—	346	2,235	1,698	31,675	1,201	5,343	42,761	113,397
At 31 December 2020													
Cost	72,201	18,425	90,626	9,959	—	2,481	2,975	5,494	37,922	1,201	6,492	66,524	157,150
Accumulated depreciation and impairment	(7,988)	(12,002)	(19,990)	(9,696)	—	(2,135)	(740)	(3,796)	(6,247)	—	(1,149)	(23,763)	(43,753)
Net carrying amount	64,213	6,423	70,636	263	—	346	2,235	1,698	31,675	1,201	5,343	42,761	113,397

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets			Owned assets									Total HK\$'000
	Leasehold land HK\$'000	Buildings HK\$'000	Sub-total HK\$'000	Leasehold improvements HK\$'000	Floating craft and vessels HK\$'000	Furniture, fixtures and office equipment HK\$'000	Plant, machinery and workshop equipment HK\$'000	Motor vehicles HK\$'000	Buildings HK\$'000	Freehold land HK\$'000	Bearer plants HK\$'000	Sub-total HK\$'000	
31 December 2019													
At 1 January 2019, net of accumulated depreciation and impairment (as originally presented)	—	—	—	6,717	9,263	1,368	2,121	—	155,156	1,085	5,712	181,422	181,422
Effect of the adoption of HKFRS 16	109,976	4,042	114,018	—	—	—	—	—	(109,976)	—	—	(109,976)	4,042
At 1 January 2019, net of accumulated depreciation and impairment (as restated)	109,976	4,042	114,018	6,717	9,263	1,368	2,121	—	45,180	1,085	5,712	71,446	185,464
Additions	—	17,082	17,082	—	—	21	233	—	—	—	—	254	17,336
Transfer to investment properties (Note 19)	(46,103)	—	(46,103)	—	—	—	—	—	(7,228)	—	—	(7,228)	(53,331)
Surplus on revaluation at the date of transfer to investment properties	2,551	—	2,551	—	—	—	—	—	1,206	—	—	1,206	3,757
Revaluation	—	—	—	—	2,557	—	—	—	—	—	—	2,557	2,557
Impairment	—	—	—	—	—	—	—	—	(5,456)	—	—	(5,456)	(5,456)
Disposal of subsidiaries (Note 36(b))	—	—	—	—	—	(2)	—	—	—	—	—	(2)	(2)
Disposal	—	—	—	—	(42)	—	—	—	—	—	—	(42)	(42)
Depreciation	(2,800)	(3,124)	(5,924)	(3,054)	(2,528)	(954)	(205)	—	(1,747)	—	(298)	(8,786)	(14,710)
Assets included in discontinued operation (Note 36(a))	—	(653)	(653)	(1,275)	(9,250)	(50)	(189)	—	—	—	—	(10,764)	(11,417)
Exchange realignment	(1,508)	(68)	(1,576)	(12)	—	(2)	225	—	(947)	17	(205)	(924)	(2,500)
At 31 December 2019, net of accumulated depreciation and impairment	62,116	17,279	79,395	2,376	—	381	2,185	—	31,008	1,102	5,209	42,261	121,656
At 31 December 2019													
Cost	67,700	20,291	87,991	8,826	—	1,545	2,706	—	35,241	1,102	5,971	55,391	143,382
Accumulated depreciation and impairment	(5,584)	(3,012)	(8,596)	(6,450)	—	(1,164)	(521)	—	(4,233)	—	(762)	(13,130)	(21,726)
Net carrying amount	62,116	17,279	79,395	2,376	—	381	2,185	—	31,008	1,102	5,209	42,261	121,656

At 31 December 2020, the Group had property, plant and equipment of approximately HK\$22,258,000 (2019: approximately HK\$21,876,000) related to the cash-generating unit of the Winery and Trading Division. Given the Winery and Trading Division was loss making during the years ended 31 December 2020 and 2019, impairment assessment has been performed. As a result, an impairment loss of approximately HK\$5,456,000 was recognised in respect of the land and buildings of the Winery and Trading Division during the year ended 31 December 2019. No further impairment loss was recognised during the year ended 31 December 2020. The recoverable amount was determined based on the fair value less costs of disposal, using a market approach, which took into account current prices of properties of similar locations and conditions and such fair value measurement was categorised within Level 3 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

19. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
Carrying amount at 1 January	52,377	—
Transfer from owner-occupied property (<i>Note 18</i>)	—	53,331
Change in fair value recognised in profit or loss	(5,173)	—
Exchange realignment	3,188	(954)
	50,392	52,377

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

The Group's investment properties were revalued on 31 December 2020 based on valuation performed by Asset Appraisal Limited, independent professionally qualified valuer, at approximately HK\$50,392,000 (2019: approximately HK\$52,377,000). The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

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

Fair value hierarchy

For the years ended 31 December 2020 and 2019, the fair value measurement of investment properties of the Group was categorised within Level 3 of the fair value hierarchy.

During the years ended 31 December 2020 and 2019, there were no transfers into or out of Level 3.

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

Assets	Valuation technique	Unobservable inputs	Weighted average
Commercial properties	Direct comparison	Selling price (per square meter)	HK\$59,425 (2019: HK\$62,000)

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

20. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Certain purchased buildings were developed on leased land and lump sum payments were made upfront to acquire the buildings with the land use rights with lease periods of 50 years and no ongoing payments will be made under the terms of these land leases. Leases of other buildings generally have lease terms between 1.75 and 2 years.

(a) Right-of-use assets

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

	Leasehold land HK\$'000	Buildings HK\$'000	Total HK\$'000
At 1 January 2020	62,116	17,279	79,395
Termination of lease	—	(2,138)	(2,138)
Depreciation	(1,924)	(8,851)	(10,775)
Exchange realignment	4,021	133	4,154
At 31 December 2020	64,213	6,423	70,636
At 1 January 2019	109,976	4,042	114,018
Additions	—	17,082	17,082
Transfer to investment properties	(46,103)	—	(46,103)
Surplus on to revaluation at the date of transfer to investment properties	2,551	—	2,551
Depreciation	(2,800)	(3,124)	(5,924)
Transferred to assets classified as held for sales	—	(653)	(653)
Exchange realignment	(1,508)	(68)	(1,576)
At 31 December 2019	62,116	17,279	79,395

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

20. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2020 HK\$'000	2019 HK\$'000
Carrying amount at 1 January	17,653	4,042
New leases	—	17,082
Accretion of interest recognised during the year	425	289
Termination of lease	(2,172)	—
Payments	(9,269)	(3,005)
Transferred to liabilities directly associated with the assets classified as held for sale	—	(687)
Exchange realignment	329	(68)
	6,966	17,653
Carrying amount at 31 December	6,966	17,653
Analysed into:		
— Current portion	6,046	9,051
— Non-current portion	920	8,602

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

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

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	425	289
Depreciation charge of right-of-use assets	10,775	5,924
Expenses relating to short-term leases*	148	7,048
	11,348	13,261
Total amount recognised in profit or loss	11,348	13,261

* These expenses are included in other operating expenses and profit for the period from discontinued operation as to approximately HK\$148,000 and Nil, respectively (2019: approximately HK\$6,332,000 and HK\$716,000, respectively), for the year ended 31 December 2020.

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

(e) Commitments under leases

At 31 December 2020, the Group was committed to approximately HK\$185,000 (2019: Nil) for short-term leases.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

20. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties and completed properties held for sale, consisting of commercial properties in Mainland China, under operating lease arrangements. The terms of the lease require the tenant to pay security deposits. Rental income recognised by the Group during the year was approximately HK\$5,674,000 (2019: approximately HK\$666,000), details of which are included in Notes 7 and 8 to consolidated financial statements.

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

	2020 HK\$'000	2019 HK\$'000
Within one year	3,039	2,675
After one year but within two years	—	2,452
	3,039	5,127

21. INTANGIBLE ASSETS

	License HK\$'000	Brands HK\$'000	Customer relationship HK\$'000	Computer software HK\$'000	Total HK\$'000
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	—	76,093	3,957	250	80,300
Amortisation provided during the period	—	(4,653)	(2,660)	(167)	(7,480)
Exchange realignment	—	4,787	112	—	4,899
Net carrying amount	—	76,227	1,409	83	77,719
At 31 December 2020:					
Cost	484	98,358	14,062	578	113,482
Accumulated amortisation	(484)	(22,131)	(12,653)	(495)	(35,763)
Net carrying amount	—	76,227	1,409	83	77,719
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	—	82,457	6,737	384	89,578
Amortisation provided during the period	—	(4,695)	(2,717)	(134)	(7,546)
Exchange realignment	—	(1,669)	(63)	—	(1,732)
Net carrying amount	—	76,093	3,957	250	80,300
At 31 December 2019:					
Cost	454	92,226	13,185	500	106,365
Accumulated amortisation	(454)	(16,133)	(9,228)	(250)	(26,065)
Net carrying amount	—	76,093	3,957	250	80,300

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

21. INTANGIBLE ASSETS (Continued)

The remaining amortisation period of brands, which is with finite useful lives, at 31 December 2020 is 15.5 years (2019: 16.5 years) with carrying amount of approximately HK\$76,227,000 (2019: approximately HK\$76,093,000).

22. GOODWILL

	Auction business HK\$'000
31 December 2020	
Cost at 1 January 2020, net of accumulated impairment	128,563
Exchange realignment	8,548
Net carrying amount	137,111
At 31 December 2020:	
Cost	173,111
Accumulated impairment	(36,000)
Net carrying amount	137,111
31 December 2019	
Cost at 1 January 2019, net of accumulated impairment	131,354
Exchange realignment	(2,791)
Net carrying amount	128,563
At 31 December 2019:	
Cost	164,563
Accumulated impairment	(36,000)
Net carrying amount	128,563

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

22. GOODWILL *(Continued)*

Impairment testing of goodwill

Auction business cash-generating unit

The recoverable amount of the auction business cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period, with average growth rate of 3% (2019: 3%), approved by senior management. The pre-tax discount rate applied to the cash flow projections is 21.7% (2019: 22.7%). The growth rate used to extrapolate the cash flows of the auction business beyond the five-year period is 3% (2019: 3%). The growth rate is based on the relevant industry long term growth rate in the jurisdiction in which the auction business cash-generating unit operates.

Assumptions were used in the value-in-use calculation of the auction business cash-generating unit for the years ended 31 December 2020 and 2019. The following describe each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Based on the result of the impairment testing of goodwill, no impairment on the goodwill of the auction business cash-generating unit was considered necessary by the directors of the Company at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

23. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2020 HK\$'000
Properties under development	1,021,985
Completed properties held for sale	176,835
	1,198,820
Analysed into:	
— Current portion	1,179,293
— Non-current portion	19,527
	1,198,820
Properties under development	
Properties under development expected to be completed within normal operating cycle and recovered:	
After one year	1,002,458

Properties under development and completed properties held for sale are acquired through the HK DTXS Acquisition (as defined in Note 35 to the consolidated financial statements). Details of the acquisition are set out in Note 35 to the consolidated financial statements.

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

At 31 December 2020, the Group's properties under development, including the relevant land use rights, of approximately HK\$1,002,458,000 were pledged to a bank to secure certain interest-bearing borrowings granted to the Group, which is set out in Note 30 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

24. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Wines	18,222	14,904
Merchandises	29,625	34,115
	47,847	49,019

25. TRADE AND OTHER RECEIVABLES

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

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

The interest receivables derived from the art financing business are secured by pledged auction items provided by consignors as disclosed in Note 25(b)(i) below. The Group generally requires consignors to settle the interest receivables in accordance with respective contracted terms, normally due monthly or due together with the advances to consignors for the art financing business.

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

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

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

At 31 December 2020, included in the Group's trade receivables are balances due from related parties amounting to approximately HK\$3,595,000 (2019: approximately HK\$940,000).

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

	2020 HK\$'000	2019 HK\$'000
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
	79,875	58,041

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	—	1,143
Impairment losses, net	3,632	—
Transferred to assets included in a discontinued operation (Note 36(a))	—	(1,143)
At the end of the year	3,632	—

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

(b) Other receivables

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Advances to consignors for art financing business	<i>25(b)(i)</i>	481,036	435,339
Deposit paid for acquisition of subsidiaries	<i>25(b)(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	<i>25(b)(iii)</i>	27,399	71
Loss allowances		(204)	—
		540,163	521,444
Analysed into:			
— Current portion		540,163	457,943
— Non-current portion		—	63,501
		540,163	521,444

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables (Continued)

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 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 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 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.

At 31 December 2020, the fair value of the pledged auction items from the consignors, except for those related to aforementioned balances written off, was higher than the carrying amount of any outstanding balances.

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 RMB57,000,000 (equivalent to approximately HK\$63,501,000) paid to Da Tang Xi Shi International Group Limited ("DTXS International Group"), an intermediate holding company of the Company, for the acquisition of HK DTXS Enterprise Holdings (BVI) Limited ("HK DTXS Enterprise"). Further details of the acquisition are set out in Note 35 to the consolidated financial statements.
- (iii) At 31 December 2020, the balance mainly represents prepayments of construction costs for development of properties of approximately HK\$11,831,000 (2019: Nil), and prepaid PRC taxes related to construction cost for completed properties held for sale and properties under development in the PRC of approximately HK\$11,534,000 (2019: Nil).

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

	Note	2020 HK\$'000	2019 HK\$'000
At the beginning of the year		—	5,574
Impairment losses, net		204	276
Transferred assets included in a discontinued operation	36(a)	—	(5,850)
At the end of the year		204	—

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

26. LOANS RECEIVABLE

At 31 December 2020, loans receivable of RMB6,300,000 (equivalent to approximately HK\$7,488,000) (2019: Nil) was made to an independent third party. The loan was unsecured, repayable with a term of 6 months and carried interest at a fixed interest rate of 12% per annum.

27. RESTRICTED BANK DEPOSITS

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

28. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	193,396	181,476
Time deposit with original maturity of less than three months	—	169,536
Less: Included in the assets of a disposal group classified as held for sale (<i>Note 36(a)</i>)	—	(946)
Cash and cash equivalents	193,396	350,066
HK\$	37,139	322,727
RMB	154,265	27,069
Other currencies	1,992	270
	193,396	350,066

29. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Trade payables	<i>29(a)</i>	167,532	2,324
Accruals		8,981	6,236
Lease liabilities	<i>20(b)</i>	6,966	17,653
Interest payables	<i>29(b)</i>	46,215	—
Other payables	<i>29(c)</i>	83,175	33,718
Deposits received		6,993	—
Contract liabilities	<i>29(d)</i>	90,326	—
Receipt in advance		1,368	—
		411,556	59,931
Analysed into:			
— Current portion		410,636	51,329
— Non-current portion		920	8,602
		411,556	59,931

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

29. TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	2020 HK\$'000	2019 HK\$'000
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
	167,532	2,324

- (b) At 31 December 2020, the balance mainly represented bank loan interest payables of approximately HK\$43,953,000. During the year ended 31 December 2020, the Group had agreed with the bank to defer the settlement on loan interests of secured bank loans as set out in Note 30 to the consolidated financial statements due to Covid-19. Remaining balance represented loan interest payable for loans borrowed from independent third parties.
- (c) At 31 December 2020, other payables include PRC taxes payable incurred from the operations in the PRC and the funds received by the Group from third parties for constructing a replacement area of the construction projects, which would be utilised to net off the construction cost of properties under development when the project is completed, with carrying amount of approximately HK\$38,858,000 (2019: Nil) and HK\$28,642,000 (2019: Nil), respectively.
- (d) Details of contract liabilities are as follows:

At 31 December 2020, contract liabilities were incurred from sales of properties, represented sale proceeds received from customers in connection with the Group's pre-sale of properties. The Group received advances from customers based on billing schedules as established in the sales of properties. Payments are usually received in advance of the performance under the contracts. The contract liabilities will be transferred to profit or loss when the Group's revenue recognition criteria are met.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

29. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(d) (Continued)

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

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	—	348
Acquisition of subsidiaries under common control	1,443	—
Recognised as revenue	—	(348)
Receipt in advance for revenue	88,883	—
At the end of the year	90,326	—

At 31 December 2020, the aggregate amount of transaction price allocated to unsatisfied performance obligations is approximately HK\$92,238,000. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue within one year or less.

30. INTEREST-BEARING BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured bank loans	711,793	—

Notes:

- The secured bank loans were secured by properties under development held by the Group with a carrying amount of approximately HK\$1,002,458,000 (Note 23) at 31 December 2020.
- The secured bank loans were denominated in RMB.
- The secured bank loans were carrying at variable rate of 6.18% per annum, which was 30% higher than the lending rate quoted by the People's Bank of China, at 31 December 2020.
- During the year ended 31 December 2020, the secured loans were extended and payable within one year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

31. DEFERRED TAXATION

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

	Tax losses HK\$'000	Deductible donation for EIT HK\$'000	LAT HK\$'000	Revaluation of investment properties HK\$'000	Fair value adjustments upon acquisition of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2019	—	—	—	—	(22,992)	(22,992)
Deferred tax credited to profit or loss	—	—	—	—	1,845	1,845
Deferred tax charged to other comprehensive income	—	—	—	(939)	—	(939)
Exchange realignment	—	—	—	17	1,137	1,154
At 31 December 2019 and 1 January 2020	—	—	—	(922)	(20,010)	(20,932)
Acquisition of subsidiaries under common control (Note 35)	4,581	745	9,433	—	—	14,759
Deferred tax credited (charged) to profit or loss	1,047	28	(1,327)	1,293	1,828	2,869
Exchange realignment	362	51	546	12	(1,226)	(255)
At 31 December 2020	5,990	824	8,652	383	(19,408)	(3,559)

The Group has tax losses arising in Hong Kong of approximately HK\$99,008,000 (2019: approximately HK\$176,761,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. These tax losses are subject to approval of the Hong Kong Inland Revenue Department. The Group also has tax losses arising from overseas operations of approximately HK\$7,607,000 (2019: approximately HK\$7,219,000), subject to approval of the relevant tax bureaus, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of approximately HK\$26,969,000 (2019: approximately HK\$3,965,000) that will expire in one to five years for offsetting against future taxable profits.

At 31 December 2020, the Group had recognised deferred tax assets for the tax losses in the PRC of approximately HK\$23,960,000 (2019: Nil) regarding the Property Development Division. The Group had not recognised deferred tax assets in respect of the remaining tax losses of approximately HK\$109,624,000 at 31 December 2020 (2019: approximately HK\$187,945,000), as it is not considered probable that there would be sufficient future taxable profits to utilise such amount.

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

At 31 December 2020 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK\$31,925,000 at 31 December 2020 (2019: approximately HK\$28,952,000). There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

32. SHARE CAPITAL

	2020 HK\$'000	2019 HK\$'000
Issued and fully paid: 667,525,230 (2019: 667,459,230) ordinary shares of HK\$0.5 each	333,763	333,730

A summary of movements in the Company's share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Share capital HK\$'000
At 1 January 2019		555,937,692	277,969
Issue of shares on 28 August 2019	(a)	111,187,538	55,594
Exercise of share options	(b)	334,000	167
At 31 December 2019 and 1 January 2020		667,459,230	333,730
Exercise of share options	(b)	66,000	33
At 31 December 2020		667,525,230	333,763

Notes:

- (a) On 16 July 2019, the Company entered into a subscription agreement with an independent third party, Ion Tech Limited, for the subscription of 111,187,538 shares at HK\$5.3873 per share which amounted to a total consideration of approximately HK\$599,001,000. The shares subscription was completed on 28 August 2019.
- (b) During the year ended 31 December 2020, share options to subscribe for 24,000 and 42,000 shares (2019: 326,000 and 8,000 shares) of HK\$0.50 each were exercised at HK\$3.00 and HK\$3.71 per share (2019: HK\$3.00 and HK\$3.71 per share), respectively. These shares rank pari passu with other shares in issue in all respects.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

On 28 January 2016 and 21 December 2016, 15,500,000 and 6,000,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. 40% of these share options vest on the first anniversary of the grant date and each of the remaining 30% of these share options vest on the second and third anniversary of the grant date respectively. The exercise price is HK\$3.000 and HK\$3.710 per share, respectively, which are the closing price of the ordinary shares of the Company on the respective grant dates.

On 4 September 2017, 3,000,000 share options were granted to an eligible participant with a valid period of 10 years from the grant date. 40% of these share options vest on the first anniversary of the grant date and each of the remaining 30% of these share options vest on the second and third anniversary of the grant date respectively. The exercise price is HK\$4.814 per share, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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

On 4 January 2019, 750,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. 40% of these share options vest after 3 December 2019 and each of the remaining 30% of these share options vest after 3 December 2020 and 3 December 2021 respectively. The exercise price is HK\$3.902 per share, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

On 7 April 2020, 3,750,000 share options were granted to eligible participants with a valid period of 10 years from the grant date. For 3,000,000 share options, each of the 25% of these share options vest after 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 respectively. For the remaining 750,000 share options, 40% of these share options vest after 3 September 2020 and each of the remaining 30% of these share options vest after 3 September 2021 and 3 September 2022 respectively. The exercise price is HK\$5.290, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

On 16 June 2020, 2,600,000 share options were granted to an eligible participant with a valid period of 10 years from the grant date. Each of the 25% of these share options vest on the first, second, third and fourth anniversary of the grant date respectively. The exercise price is HK\$4.870, which is approximately equal to the closing price of the ordinary shares of the Company on the grant date.

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

	2020		2019	
	Weighted average exercise price HK\$ per share	No. of options '000	Weighted average exercise price HK\$ per share	No. of options '000
At 1 January	3.404	15,466	3.398	17,600
Granted during the year	5.118	6,350	3.902	750
Forfeited during the year	4.346	(5,900)	3.557	(2,550)
Exercised during the year	3.452	(66)	3.017	(334)
At 31 December	3.740	15,850	3.404	15,466

The weighted average share price at the date of exercise for share options exercised during the reporting period was HK\$4.696 per share (2019: HK\$5.360 per share).

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

2020

Number of options '000	Exercise price HK\$	Exercise period
10,250	3.000	28 January 2017–27 January 2026
3,000	5.290	1 April 2021–6 April 2030
2,600	4.870	16 June 2021–15 June 2030

2019

Number of options '000	Exercise price HK\$	Exercise period
11,524	3.000	28 January 2017–27 January 2026
192	3.710	21 December 2017–20 December 2026
3,000	4.814	4 September 2018–3 September 2027
750	3.902	4 December 2019–3 January 2029

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

Date of grant	28 January 2016	21 December 2016	4 September 2017	4 January 2019	7 April 2020	16 June 2020
Dividend yield (%)	0	0	0	0	0	0
Expected volatility (%)	43.56	43.63	43.37	74.00	36.34	36.27
Risk-free interest rate (%)	1.69	2.01	1.39	1.84	1.32	1.12
Exit rates of the grantees (%)	0	0	0	0	0	0
Fair value at measurement date (HK\$'000)	22,750	10,460	7,121	1,350	8,474	5,210
Exercise price (HK\$)	3.000	3.710	4.814	3.902	5.290	4.870

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

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

The Group recognised a share-based expenses of approximately HK\$4,128,000 (2019: approximately HK\$1,399,000) during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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

At 31 December 2020, the Company had 15,850,000 share options (2019: 15,466,000) outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,850,000 additional ordinary shares (2019: 15,466,000) of the Company and additional share capital of HK\$7,925,000 (2019: HK\$7,733,000) and share premium of approximately HK\$51,357,000 (2019: approximately HK\$44,920,000) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 12,850,000 share options outstanding under the Scheme, which represented approximately 1.93% of the Company's shares in issue at that date.

34. RESERVES

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

- (a) The application of the share premium account and the capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda.
- (b) In 2000, the Company and certain of its then subsidiaries (the "Scheme Participating Companies") entered into a restructuring scheme of arrangement with its creditors (the "Restructuring Scheme"), which was duly approved by the Restructuring Scheme creditors and sanctioned by the court on 18 April 2000 and became effective on 28 April 2000. The scheme reserve represents the net liabilities of the Scheme Participating Companies and the Company at 28 April 2000, which were discharged pursuant to the Restructuring Scheme.
- (c) The capital reserve arose from the disposal of certain subsidiaries of the Group to the joint venture jointly and equally owned by the Group and the then ultimate holding company in prior years.

35. BUSINESS COMBINATION UNDER COMMON CONTROL

On 12 March 2020, the Group acquired 100% equity interest in HK DTXS Enterprise (together with its subsidiaries collectively referred to as "DTXS Enterprise Group") at a cash consideration of approximately HK\$212,000,000 from DTXS International Group, a direct wholly-owned subsidiary of DTXS Investments (the "HK DTXS Acquisition") 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 NCI, at the completion date is recognised in merger reserve amounting to approximately HK\$179,433,000.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

35. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

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)
Net assets of DTXS Enterprise Group (Note)	104,575
NCI	(72,052)
Merger reserve recognised	32,523
	179,433
	211,956
Satisfied by:	
Cash	148,455
Deposits paid (Note 25(b)(ii))	63,501
	211,956
Net cash outflow arising on the acquisition:	
Cash consideration	(211,956)
Deposits paid in prior year	63,501
Cash and cash equivalents acquired	3,632
	(144,823)

If the business combination effected during the year ended 31 December 2020 had been taken place at 1 January 2020, the revenue and profit for the Group for the year ended 31 December 2020 would have been approximately HK\$199,630,000 and HK\$28,880,000, respectively.

Note: The amount excluded part of the registered capital of DTXS Enterprise Group that was paid-up by the Group subsequent to the business combination.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

36. 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 Services 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 HK\$'000	2019 HK\$'000
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)
Profit for the period from the UDL Group	—	29,946
Gain on disposal of the UDL Group	15,319	—
Profit for the period from the discontinued operation	15,319	29,946

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

36. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Engineering Services Division (Continued)

The major classes of assets and liabilities of the UDL Group disposed of at disposal date and classified as held for sale at 3 February 2020 and 31 December 2019 are disclosed below:

		At 3 February 2020 HK\$'000	At 31 December 2019 HK\$'000
	<i>Notes</i>		
Assets			
Property, plant and equipment		11,417	11,417
Inventories		1,095	1,095
Trade and other receivables	<i>(i)</i>	19,082	19,082
Cash and cash equivalents		946	946
		32,540	32,540
Liabilities			
Trade and other payables	<i>(ii)</i>	26,251	26,251
Interest-bearing borrowings	<i>(iii)</i>	4,852	4,852
		31,103	31,103
Liabilities directly associated with the assets classified as held for sale		31,103	31,103
Net assets disposed of and directly associated with the disposal group		1,437	1,437
Gain on disposal		15,319	—
		16,756	1,437
Satisfied by:			
Cash		16,756	—
Net cash inflow arising on disposal:			
Net cash consideration received		16,756	—
Cash and cash equivalents disposed of		(946)	—
		15,810	—

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

36. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Engineering Services Division (Continued)

	2020 HK\$'000	2019 HK\$'000
Profit for the period from discontinued operation	15,319	29,946
Earnings per share:		
Basic, from the discontinued operation	HK2.30 cents	HK5.04 cents
Diluted, from the discontinued operation	HK2.28 cents	HK5.00 cents

The net cash flows incurred by the UDL Group during the year ended 31 December 2019 are as follows:

	2019 HK\$'000
Operating activities	53,920
Investing activities	50
Financing activities	(53,481)
Net cash inflows	<u>489</u>

Notes:

(i) Trade and other receivables

	At 31 December 2019 HK\$'000
Trade receivables	15,018
Loss allowances	(1,143)
	<u>13,875</u>
Prepayments	4,014
Deposits	263
Other receivables	6,780
Loss allowances	(5,850)
	<u>5,207</u>
	<u>19,082</u>

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

36. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Engineering Services Division (Continued)

Notes: (Continued)

(i) Trade and other receivables (Continued)

The trading terms with customers are mainly on credit. The credit terms granted by the UDL Group to customers generally range from 30 to 90 days. Trade receivables are unsecured and non-interest-bearing.

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

	At 31 December 2019 HK\$'000
0-30 days	2,345
31-90 days	2,620
91-180 days	2,828
181-360 days	6,082
	<hr/>
	13,875
	<hr/> <hr/>

The movement in the loss allowance for trade receivables is as follows:

	At 31 December 2019 HK\$'000
At the beginning and at the end of the year	<hr/> <hr/> 1,143

Other receivables represented non-trade related receivables from independent third parties. The balances are unsecured and non-interest-bearing. Except for the gross balances of approximately HK\$5,850,000 which are from credit-impaired debtors, none of the other receivables is past due and related to debtors with no recent history of default.

The movement in the loss allowance for other receivables is as follows:

	At 31 December 2019 HK\$'000
At the beginning of the year	5,574
Impairment losses, net	276
	<hr/>
At the end of the year	5,850
	<hr/> <hr/>

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

36. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Engineering Services Division (Continued)

Notes: (Continued)

(ii) Trade and other payables

Included in the trade and other payables are trade payables of approximately HK\$4,179,000. The credit period of trade creditors is normally within three months. The ageing analysis of trade payables at 31 December 2019, based on the invoice date, is as follows:

	At 31 December 2019 HK\$'000
0-30 days	2,710
31-90 days	60
91-180 days	1,037
181-360 days	141
Over 360 days	231
	<hr/> <hr/> 4,179

(iii) Interest-bearing borrowings

At 31 December 2019, the carrying amount of interest-bearing borrowings represents an unsecured variable rate borrowing which carries interest at the best leading rate quoted by The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum and is repayable on demand.

(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 NCI 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 NCI 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

36. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

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

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

	At 1 November 2019 HK\$'000
NCI	1,917
Property, plant and equipment	2
Other receivables	440
	<hr/>
Net assets disposed of	2,359
	<hr/>
Loss on disposal of subsidiaries (Note 10)	(1,734)
	<hr/>
	625
	<hr/> <hr/>
Satisfied by:	
Cash	—
Contingent consideration	625
	<hr/> <hr/>

37. CONTINGENT LIABILITIES

Prior to the completion of the acquisition of DTXS Enterprise Group, DTXS Enterprise Group did not comply with certain applicable laws and regulations in the PRC and the terms of the sales contracts with property buyers, in particular, DTXS Enterprise Group delivered property units of certain projects to property buyers before obtaining the relevant completion certificates from the relevant government authorities and as a result, property buyers are unable to obtain the ownership certificates for the property units they purchased (the "Non-compliance"). At 31 December 2020, DTXS Enterprise Group was in the process of applying for the relevant certificates.

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

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

	2020 HK\$'000	2019 HK\$'000
Potential claims from property buyers in connection with the Non-compliance	3,137	—
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

38. FINANCIAL GUARANTEES

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

	Notes	2020 HK\$'000	2019 HK\$'000
Guarantees in respect of mortgage facilities provided for certain purchasers of DTXS Enterprise Group's properties	(a)	181,455	—
Guarantee in respect of loan facility provided for a related party	(b)	356,550	—
		538,005	—

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

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

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

- (b) DTXS Enterprise Group provided a financial guarantee for a bank loan with a principal of RMB300,000,000 (equivalent to approximately HK\$356,550,000) obtained by Xi'an Da Tang Xi Shi Property Limited, a company controlled by Mr. Lu Jianzhong, the controlling shareholder of the Group. At the same time, DTXS Investments provided a counter financial guarantee in favour of DTXS Enterprise Group for its obligations under the said financial guarantee. Further details of the financial guarantee arrangement are set out in the Company's circular dated 21 February 2020.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately HK\$17,082,000 and HK\$17,082,000 respectively, in respect of lease arrangements for buildings included in property, plant and equipment.

(b) Changes in liabilities arising from financing activities

	Interest-bearing borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
2020			
At 1 January 2020	—	17,653	17,653
Addition from acquisition of subsidiaries under common control	667,714	—	667,714
Changes from financing cash flows	—	(8,844)	(8,844)
Termination of lease	—	(2,172)	(2,172)
Foreign exchange movement	44,079	329	44,408
Interest expenses	—	425	425
Interest paid classified as operating cash flows	—	(425)	(425)
At 31 December 2020	711,793	6,966	718,759
2019			
At 31 December 2018	55,888	—	55,888
Effect of adoption of HKFRS 16	—	4,042	4,042
At 1 January 2019 (restated)	55,888	4,042	59,930
Changes from financing cash flows	(51,036)	(2,716)	(53,752)
New leases	—	17,082	17,082
Foreign exchange movement	—	(68)	(68)
Interest expenses	—	289	289
Interest paid classified as operating cash flows	—	(289)	(289)
Transferred to liabilities directly associated with the assets classified as held for sale	(4,852)	(687)	(5,539)
At 31 December 2019	—	17,653	17,653

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

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

(c) Total cash outflow for leases

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

	2020 HK\$'000	2019 HK\$'000
Within operating activities	573	7,335
Within financing activities	8,844	2,716
	9,417	10,051

40. RELATED PARTY TRANSACTIONS

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

- (a) During the year ended 31 December 2020, rental income of approximately HK\$2,536,000 (2019: approximately HK\$666,000) was generated from the investment properties leased to a related company controlled by DTXS Investments, at a rate of HK\$265 (2019: HK\$147 to HK\$245) per square metre.
- (b) On 29 November 2019, the Group entered into a sale and purchase agreement with DTXS International Group, a company controlled by DTXS Investments, for the HK DTXS Acquisition at a cash consideration of approximately HK\$212,000,000. Details of the acquisition are disclosed in Note 35 to the consolidated financial statements.
- (c) Outstanding balances with related parties:
- (i) At 31 December 2019, deposits paid for acquisition of DTXS Enterprise Group of approximately HK\$63,501,000 was due from the intermediate holding company of the Company. The balance was fully settled during the year ended 31 December 2020.
 - (ii) Included in trade and other receivables, approximately HK\$3,595,000 (2019: HK\$940,000) was the rental receivables due from a related company controlled by DTXS Investments at 31 December 2020.
 - (iii) Included in other payables, approximately HK\$1,003,000 (2019: Nil) was the amount due to a related company controlled by DTXS Investments at 31 December 2020.

The above mentioned intermediate holding company and related companies were ultimately controlled by a director, Mr. Lu Jianzhong. The balances were unsecured, interest-free and repayable on demand. During the year ended 31 December 2020, the maximum outstanding balance of (i) and (ii) were approximately HK\$63,501,000 and HK\$3,595,000 respectively (2019: HK\$63,501,000 and HK\$940,000 respectively).

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

40. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

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

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and other benefits in kind	10,664	6,035
Share-based payment expenses	4,128	1,560
Contributions to defined contribution retirement plans	86	54
	14,878	7,649

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

41. CAPITAL COMMITMENTS

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

	2020 HK\$'000	2019 HK\$'000
Acquisition of subsidiaries	—	148,707
Construction contracts for properties under development	1,343,562	—
	1,343,562	148,707

42. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group at 31 December 2020 and 2019 were financial assets and financial liabilities stated at amortised cost.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

The Group's business operations are principally in Hong Kong, Mainland China and France. The majority of the business transactions were denominated in respective local currencies and there were only insignificant balances of financial assets and liabilities that were denominated in foreign currencies at 31 December 2020. Hence, the Group is not exposed to significant foreign exchange risk.

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

Credit risk

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

At 31 December 2020 and 2019, the Group's maximum exposure to credit risk is limited to the carrying amounts of the Group's financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with advances to consignors for the art financing business are mitigated because they are secured by the pledged auction items as discussed below.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. At the end of the reporting period, the Group has a concentration of credit risk arising from trade receivables as approximately 7% (2019: 9%) of the total trade receivables were due from the Group's largest customer and approximately 31% (2019: 37%) of the total trade receivables were due from the Group's five largest customers.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Impairment assessment of trade and other receivables

Trade receivables — receivables from customers

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

At 31 December 2020, except for the trade receivables of Winery and Trading Division, management considered that the ECL rate for the Group's receivables from customers included in trade receivables was minimal and therefore no provision for impairment of related trade receivables was necessary.

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

	Current	Less than 3 months	Past due Over 3 months	Credit- impaired	Total
31 December 2020					
ECL rate	0%	0%	25.3%	100%	
Gross carrying amount (HK\$'000)	855	129	14,225	33	15,242
Expect credit losses (HK\$'000)	—	—	3,599	33	3,632

At 31 December 2019, except for the trade receivables included in assets of a disposal group classified as held for sale, management considered that the ECL rate for the Group's trade receivables was minimal and therefore no provision for impairment of trade receivables was necessary.

Set out below is the information about the credit risk exposure on the Group's trade receivables of Engineering Services Division included in assets of a disposal group classified as held for sale that using a provision matrix:

	Current	Less than 3 months	Past due Over 3 months	Credit- impaired	Total
31 December 2019					
ECL rate	0%	0.3%	0.7%	100%	
Gross carrying amount (HK\$'000)	4,965	2,837	6,123	1,093	15,018
Expect credit losses (HK\$'000)	—	9	41	1,093	1,143

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

Credit risk *(Continued)*

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

Advances to consignors and related interest receivables included in trade receivables

In respect of advances to consignors for the art financing business and related interest receivables, at 31 December 2020, the balances that were overdue amounted to approximately HK\$46,164,000 (2019: approximately HK\$25,400,000).

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

An impairment analysis is performed at the end of the reporting period, which are estimated by applying the probability of default approach with reference to its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group measures the provision for credit loss equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The amount of ECL provided takes into account the fair value of the pledged auction items. The Group has not provided any ECL for advances to consignors and interest receivables, as in the opinion of the directors, the fair value of the pledged auction items exceeds the outstanding advances and related interest receivables on an individual basis.

Other receivables

In respect of other receivables other than the foresaid, the management of the Group makes individual assessment on the recoverability of these financial assets based on credit risk assessment and historical settlement records and past experience, if any, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. The ECL which are estimated by applying the probability of default approach with reference to the risks of default of the debtors or comparable companies and adjusted for forward-looking adjustments.

At 31 December 2020, the Group has provided for impairment of approximately HK\$204,000 for the debtors with significantly increased credit risk (2019: approximately HK\$276,000 for the credit-impaired debtors). The balance at 31 December 2019 was related to the Engineering Services Division and classified under assets of a disposal group classified as held for sale.

Restricted bank deposits and cash and bank balances

The credit risks on restricted bank deposits and bank balances are limited because the counterparties are banks and other financial institution with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at 31 December.

The amounts presented are carrying amounts for financial assets.

	12-month ECL		Lifetime ECL		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
At 31 December 2020					
Financial assets included in trade and other receivables	513,427	50,887	—	28,325	592,639
Restricted bank deposits	2,586	—	—	—	2,586
Cash and cash equivalents	193,396	—	—	—	193,396
	709,409	50,887	—	28,325	788,621
At 31 December 2019					
Financial assets included in trade and other receivables	532,021	25,400	—	21,993	579,414
Cash and cash equivalents	350,066	—	—	—	350,066
	882,087	25,400	—	21,993	929,480

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK\$'000	In the second year HK\$'000	In the third to fifth years, inclusive HK\$'000	Total HK\$'000
At 31 December 2020				
Trade and other payables (including lease liabilities)	318,886	938	—	319,824
Interest-bearing borrowings	711,793	—	—	711,793
Financial guarantee contract (Note)	356,550	—	—	356,550
	1,387,229	938	—	1,388,167
At 31 December 2019				
Trade and other payables (including lease liabilities)	45,518	7,892	879	54,289

Note: The amount included above for financial guarantee contracts are the maximum amounts of the guarantees, shown in the earliest periods in which the guarantees could be called. As set out in Note 38(b) to the consolidated financial statements, DTXS Investments provided a counter financial guarantee in favour of DTXS Enterprise Group for its obligation under the said financial guarantee. Based on the assessments at the end of the reporting period, the directors do not consider it probable that a claim will be made against DTXS Enterprise Group under these guarantees.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital structure in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,469	9,832
Investments in subsidiaries	1,135,091	1,214,098
	1,139,560	1,223,930
CURRENT ASSETS		
Other receivables	1,600	32
Cash and bank balances	22,374	59,713
	23,974	59,745
CURRENT LIABILITIES		
Other payables	6,031	9,751
Due to subsidiaries	—	10
	6,031	9,761
NET CURRENT ASSETS	17,943	49,984
TOTAL ASSETS LESS CURRENT LIABILITIES	1,157,503	1,273,914
NON-CURRENT LIABILITIES		
Other payables	—	4,681
NET ASSETS	1,157,503	1,269,233
CAPITAL AND RESERVES		
Share capital (<i>Note 32</i>)	333,763	333,730
Reserve (<i>Note</i>)	823,740	935,503
TOTAL EQUITY	1,157,503	1,269,233

The statement of financial position was approved and authorised for issue by the Board of Directors on 31 March 2021 and signed on its behalf by

Xu Zhihong
Director

Wong Kwok Tung Gordon Allan
Director

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK\$'000 (Note 34(a))	Capital redemption reserve HK\$'000 (Note 34(a))	Contributed surplus* HK\$'000	Share option reserve HK\$'000	Scheme reserve HK\$'000 (Note 34(b))	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2019	1,026,910	1,264	21,689	31,774	—	(663,796)	417,841
Loss for the year	—	—	—	—	—	(25,912)	(25,912)
Issue of shares (Note 32(a))	543,407	—	—	—	—	—	543,407
Exercise of share options (Notes 32 and 33)	1,345	—	—	(504)	—	—	841
Share issue expenses	(2,073)	—	—	—	—	—	(2,073)
Transfer of share option reserve upon the forfeiture of share options	—	—	—	(7,710)	—	7,710	—
Equity-settled share option arrangements (Note 33)	—	—	—	1,399	—	—	1,399
At 31 December 2019 and 1 January 2020	1,569,589	1,264	21,689	24,959	—	(681,998)	935,503
Loss for the year	—	—	—	—	—	(116,085)	(116,085)
Exercise of share options (Notes 32 and 33)	302	—	—	(108)	—	—	194
Transfer of share option reserve upon the forfeiture of share options	—	—	—	(9,578)	—	9,578	—
Equity-settled share option arrangements (Note 33)	—	—	—	4,128	—	—	4,128
At 31 December 2020	1,569,891	1,264	21,689	19,401	—	(788,505)	823,740

* The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation in prior years, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently meet.

46. EVENTS AFTER THE REPORTING PERIOD

On 18 February 2021, DTXS Fine Wine Holdings Limited ("DTXS Fine Wine"), an indirect wholly-owned subsidiary of the Company, completed a further acquisition of 30% equity interest of its non-wholly owned subsidiary, Wealthy Forest Limited ("Wealthy Forest"), at a consideration of approximately HK\$4,780,000. DTXS Fine Wine became the sole beneficial owner of the Wealthy Forest, which indirectly owned a wine yard Chateau Puy Bardens located at Bordeaux in France. After the acquisition, the Group holds the entire equity interest of the vineyard business.

Five-Year Financial Summary

A summary of the results of the Group and of its assets and liabilities for the last five financial periods as extracted from the audited financial statements is set out below:

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000 (Restated) Note	2017 HK\$'000 (Restated) Note	2016 HK\$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	193,181	235,421	135,980	168,316	122,307
PROFIT (LOSS) BEFORE TAX	13,363	(19,395)	(84,131)	(67,824)	(74,071)
Income tax credits (expenses)	1,556	(2,384)	(102)	(4,316)	569
Profit (Loss) for the year from continuing operations	14,919	(21,779)	(84,233)	(72,140)	(73,502)
Profit (Loss) for the year from discontinued operations	15,319	29,946	(44,673)	7,350	—
PROFIT (LOSS) FOR THE YEAR	30,238	8,167	(128,906)	(64,790)	(73,502)
Profit (loss) for the year attributable to:					
Equity holders of the Company	32,556	10,286	(126,909)	(63,925)	(73,497)
Non-controlling interests	(2,318)	(2,119)	(1,997)	(865)	(5)
	30,238	8,167	(128,906)	(64,790)	(73,502)

	At 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Assets and liabilities					
Total assets	2,464,643	1,394,006	829,696	944,862	779,721
Total liabilities	(1,222,927)	(121,189)	(163,834)	(133,082)	(123,917)
Net assets	1,241,716	1,272,817	665,862	811,780	655,804

Note:

The disposal of the UDL Ventures Group and the Digital Mind Group for the years ended 31 December 2019 and 2018, respectively, constituted discontinued operations (reference to Note 36 to the consolidated financial statements). Accordingly, the comparatives for the years ended 31 December 2018 and 2017 have been re-presented in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. However, it is not practicable to restate the financial information prior to 2017 for comparison purposes.