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DTXS Silk Road Investment Holdings Company Limited

大唐西市絲路投資控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE ACQUISITION AND CONNECTED TRANSACTION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board would like to announce that on 1 December 2017 (after trading hours), the Purchaser entered into the MOU with the Vendor, pursuant to which the Purchaser intended to purchase, whether directly or through its subsidiaries, and the Vendor intended to sell, 100% of the equity interests of the Target Company, which will be incorporated in the BVI with limited liability. The Target Company will be an investment holding company and a wholly-owned subsidiary of the Vendor. The Target Group will be principally engaged in businesses of property marketing and leasing agency services, property consultancy and management, cultural business promotion, and other related services. The Target Company will hold the Property Interest following its incorporation as its headquarter.

If the Purchaser proceeds with the Proposed Acquisition, it will enter into legally binding agreement(s) with the Vendor in respect of the Proposed Acquisition.

The MOU is not intended to be legally binding (save for certain provisions on exclusivity, confidentiality, severability, dispute resolution, complete understanding and amendments, counterparts and binding effect) and the Proposed Acquisition may or may not proceed. If the Proposed Acquisition materialises, it will constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. The Company will make further announcement in respect of the Proposed Acquisition as and when appropriate in accordance with the Listing Rules.

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MEMORANDUM OF UNDERSTANDING

The principal terms of the MOU are as follows:

Date: 1 December 2017

Parties: (i) the Purchaser; and
(ii) the Vendor.

As at the date of this announcement, DTXS International Holdings held 376,700,736 Shares, representing approximately 67.86% of the entire issued share capital of the Company.

The Vendor, being a fellow subsidiary of DTXS International Holdings, is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the MOU, the Purchaser intended to purchase, whether directly or through its subsidiaries, and the Vendor intended to sell, 100% of the equity interests of the Target Company, after its incorporation in the BVI with limited liability. The Target Company will be an investment holding company and a wholly-owned subsidiary of the Vendor. The Target Group will be principally engaged in businesses of property marketing and leasing agency services, property consultancy and management, cultural business promotion, and other related services. The Target Company will hold the Property Interest following its incorporation as its headquarter.

Consideration

The Consideration to be paid by the Purchaser to DTXS International Group is still under negotiation and it shall be determined after arm's length negotiation between the Purchaser and the Vendor and set out in the Formal Agreement.

The Consideration is proposed to be payable by the Purchaser to DTXS International Group by issuance of Consideration Shares at the Subscription Price of HK\$5.00 per Share.

Conditions Precedent to the Proposed Acquisition

The conditions precedent to the Proposed Acquisition are set out as follow:

1. The independent Shareholders of the Company, who are eligible to vote under the Listing Rules, having passed the resolutions to approve (a) the allotment and issuance of the Consideration Shares; and (b) the Formal Agreement and the transactions contemplated thereunder;
2. Approval having been obtained from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares, and such approval not having been withdrawn prior to the Completion contemplated under the Formal Agreement;
3. The Purchaser having received a Hong Kong legal opinion which is reasonably satisfactory to it in all aspects to confirm that the Target Company holds good title of the Property Interest;

4. The warranties given by the Vendor under the Formal Agreement remaining to be true and accurate and not misleading at the date of the Completion, and from the date of the Formal Agreement to the date of Completion;
5. The Purchaser having received a PRC legal opinion which is reasonably satisfactory to it in all respects, to confirm that (a) the PRC Subsidiary(ies) is duly incorporated and legally existing under PRC laws and has the authority to enter into any business related service agreements or arrangements; (b) regarding the service agreement entered into between the PRC Subsidiary(ies) and the property developer (the “**Service Agreement**”) for provision of property marketing and leasing agency, property consultancy and management services to a high-end residential and commercial property in Xian, the PRC, the land use, construction, planning and peripheral facilities of the property have complied with the PRC legal requirements; (c) the Service Agreement has been validly signed and come into effect, can be enforced in accordance with its terms and has complied with the PRC legal requirements; and (d) the business of the PRC Subsidiary(ies) has complied with the legal requirements and has been operating under valid license(s) and permit(s);
6. No third parties having sought at any courts or governmental authority in any jurisdictions any litigation or proceedings, pending or threatened, which would restrict or prohibit the transactions contemplated under the Formal Agreement or which would seek to declare the contemplated transactions as illegal or which would claim for material compensation or damages for losses arising from such transactions; and
7. All necessary consents and approvals in relation to transactions contemplated under the Formal Agreement having been obtained by the Company, the Purchaser and the Vendor, and the Purchaser and the Vendor having complied with the relevant laws, and no rules or regulations to forbid or seriously delay the performance and completion of the Formal Agreement having been imposed by relevant authorities.

The conditions precedent 3 to 6 set out above may only be waived by the Purchaser in accordance with the Formal Agreement. The conditions precedent 1, 2 and 7 set out above shall not be waived by any parties to the Formal Agreement. The Vendor shall use its reasonable endeavors to procure the fulfillment of the conditions precedent 3 to 6 set out above.

If the conditions precedent set out above are not fulfilled or waived on the Long Stop Date, the Formal Agreement shall lapse, and each party of the MOU shall make no claim against the other party except for any antecedent breaches.

Profit Guarantees

The Formal Agreement shall include a term to effect that DTXS International Group will irrevocably warrant and guarantee to the Purchaser that the audited consolidated net profits after tax of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards for the five financial years ending 31 December 2018, 2019, 2020, 2021 and 2022 will not be less than HK\$ 420,000,000 in aggregate (the “**Guaranteed Profit**”). If the actual audited consolidated net profits after tax of the Target Group for the five financial years ending 31 December, 2018, 2019, 2020, 2021 and 2022 in aggregate (the “**Actual Profit**”) is less than the Guaranteed Profit, then DTXS International Group shall pay the shortfall on a dollar-to-dollar basis in cash to be calculated as follows:

$$\text{Shortfall} = \text{HK\$}420,000,000 - \text{Actual Profit}$$

Completion

Completion shall proceed within seven (7) Business Days (or such other date as the Purchaser and the Vendor may agree in writing) after fulfillment or waiver of the conditions precedent to be set out in the Formal Agreement.

Exclusivity

The Vendor will not, for a period of six (6) months from the date of the MOU signed (or such later date to be agreed by the Purchaser and the Vendor), negotiate or procure its directors, officers, employees, representatives and agents to negotiate, directly or indirectly, with any party (other than the Purchaser) in respect of the sale of the Target Company or a significant part of the business of the Target Group or a similar transaction.

Binding Effect

Except for the clauses on exclusivity, confidentiality, severability, dispute resolution, complete understanding and amendments, counterparts and binding effect which shall be binding upon the Purchaser and the Vendor, other clauses set out in the MOU are subject to the negotiation and execution of the Formal Agreement and shall not be binding upon the Purchaser and the Vendor.

INFORMATION OF THE TARGET COMPANY

The Target Company will be incorporated as an investment holding company in the BVI with limited liability and wholly-owned by the Vendor. The Target Group will be principally engaged in businesses of property marketing and leasing agency services, property consultancy and management, cultural promotion, and other related services. The Target Company will hold the Property Interest following its incorporation.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in (i) arts and collections related business; (ii) auction business; (iii) financial e-commerce business; and (iv) marine, construction and structural steel engineering and related services.

According to the statistics published by Shaanxi Provincial Bureau of Statistics*(陝西省統計局), Shaanxi Province recorded GDP of approximately RMB1,916.5 billion in 2016, representing approximately 7.6% annual growth as compared to that in 2015. According to the statistics published by Shaanxi Government, Xian City recorded GDP of approximately RMB625.7 billion in 2016, representing approximately 8.5% in 2016 annual growth as compared to that in 2015 and approximately 32.6% of the aggregate GDP of Shaanxi Province. According to National Bureau of Statistics of China*(中華人民共和國國家統計局), GDP annual growth of 2016 in PRC was approximately 6.7%, which Xian City outperformed. Based on 城市新建住宅價格指數 (transliterated as the new property price index) as published by the National Bureau of Statistics of the PRC, the annual growth of new property price index of Xian City as at 31 August 2016 and 2017 were approximately 3.2% and 13.4%, respectively.

In view of the above, the Directors believe that the Proposed Acquisition not only allows the Group to leverage on our controlling shareholder's background in Xian for capturing the potential high economic and cultural growth of Shaanxi Province as well as on its other future cultural related projects, but also provides a reasonable term sustainable source of income to the Group. The Directors consider the terms of the MOU are fair and reasonable and that the Proposed Acquisition is in the interest of the Company and Shareholders as a whole.

GENERAL

The Board wishes to emphasise that the Proposed Acquisition may or may not proceed and that the Purchaser and the Vendor have not entered into any binding agreement in relation to the Proposed Acquisition as at the date of this announcement. If the Proposed Acquisition materialises, it will constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. The Company will make further announcement in respect of the Proposed Acquisition as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Board”	board of the Directors
“Business Day(s)”	a day(s) (excluding Saturday, Sunday, public holidays of Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Company”	DTXS Silk Road Investment Holdings Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 620)
“Completion”	the completion of the Proposed Acquisition, which shall proceed within seven (7) Business Days (or such other date as the Purchaser and the Vendor may agree) after fulfilment or waiver of the conditions precedent set out in the Formal Agreement
“Consideration”	the consideration payable by the Purchaser to DTXS International Group for 100% of the equity interests of the Target Company, which shall be determined after arm’s length negotiation between the Purchaser and the Vendor and set out in the Formal Agreement

“Consideration Share(s)”	Share(s) to be issued by the Company to DTXS International Group at the Subscription Price in order to settle the Consideration
“Directors”	directors of the Company
“DTXS International Group”	Da Tang Xi Shi International Group Limited (大唐西市國際集團有限公司), an investment holding company incorporated in Hong Kong with limited liability, which holds the entire issued share capital of both DTXS International Holdings and the Vendor
“DTXS International Holdings”	Da Tang Xi Shi International Holdings Limited (大唐西市國際控股有限公司), an investment holding company incorporated in the BVI with limited liability, which is holding 376,700,736 Shares, representing approximately 67.86% of the entire issued share capital of the Company
“Formal Agreement”	a formal sale and purchase agreement to be entered into amongst the Purchaser and the Vendor in respect of the Proposed Acquisition and incorporating the terms and conditions of the MOU
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 May 2018 (or such later date as the Purchaser and the Vendor may agree in writing)
“MOU”	the memorandum of understanding dated 1 December 2017 entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition

“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary(ies)”	the PRC subsidiary(ies) of the Target Company
“Property Interest”	the property interest of Unit 2506A, 25/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
“Proposed Acquisition”	the proposed acquisition by the Purchaser of 100% of the equity interests of the Target Company
“Purchaser”	Best Merit Global Limited, a wholly-owned indirect subsidiary of the Company
“Share(s)”	share(s) of HK\$0.50 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$5.00 per Consideration Share
“Target Company”	an investment holding company to be incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Fair Luck Investments Limited, an investment holding company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of DTXS International Group

By Order of the Board
DTXS Silk Road Investment Holdings Company Limited
Wong Kwok Tung Gordon
Executive Director and Deputy Chief Executive Officer

Hong Kong, 1 December 2017

* *For identification purpose only*

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Mr. Lai Kim Fung (Chief Executive Officer) and Mr. Wong Kwok Tung Gordon (Deputy Chief Executive Officer); two Non-executive Directors, namely Mr. Wang Shi and Mr. Jean-Guy Carrier; and four Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Ms. Fan Chiu Fun, Fanny, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi.