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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  
A PROPOSED ACQUISITION**

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 26 May 2016 (after trading hours), the Purchaser entered into the MOU with the Vendors, pursuant to which the Purchaser intended to purchase and the Vendors intended to sell the entire equity interest of the Target Company, which, through the Target Group, is principally engaged in the arts and collections auction business.

The MOU is not intended to be legally binding (save for certain provisions on completions, exclusivity, confidentiality, severability, dispute resolution, complete understanding and amendments, counterparts and binding effect). If the Company proceeds with the Proposed Acquisition, it will enter into legally binding agreement(s) with the Vendors in respect of the Proposed Acquisition.

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).

**MEMORANDUM OF UNDERSTANDING**

The principal terms of the MOU are as follows:

Date: 26 May 2016

Parties: The Purchaser and the Vendors

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Assets to Be Acquired**

The Board would like to announce that on 26 May 2016 (after trading hours), the Purchaser entered into the MOU with the Vendors, pursuant to which the Vendors intends to sell and the Purchaser intends to purchase and acquire the entire equity interest of the Target Company. Upon Completion, the Vendors will also transfer the entire equity interest of Phoenixstar to a domestic PRC holding company of the Purchaser upon completion of the Proposed Acquisition.

### *The Information of Phoenixstar*

Phoenixstar has been engaged in arts and collections auction in the PRC since 2011 under 文物拍賣許可證 (the Cultural Relics Auction License\*) authorised by 國家文物局 (the State Administration of Cultural Heritage\*). Phoenixstar acts as agent by sourcing and accepting arts and collections, including but not limited to Chinese bronzeware, jade ware and antique furniture, on consignment. It stimulates market demand through professional marketing techniques and marches sellers to buyers at auctions. Phoenixstar collects commissions from both buyers and sellers upon settlement of auction sales. Mr. Zhao, one of the major shareholders of Phoenixstar, is the chairman of 中國青銅研究會 (Research Committee of Chinese Bronzeware\*) under 北京市工商業聯合會 (Beijing Federation of Industry and Commerce\*) since 2012 who has established a team specialised in sourcing, authentication, valuation and auction in the field of Chinese bronzeware for Phoenixstar.

### *The Information of the Target Group*

The entire equity interest of the Target Company and Phoenixstar are legally and beneficially owned by the Vendors. The Target Company has a wholly-owned subsidiary incorporated in Hong Kong, being KSLF (HK). KSLF (HK) will legally and beneficially own the entire equity interest in KSLF (BJ). KSLF (BJ) will enter into a series of structured contracts so as to obtain substantially the entire economic interests of Phoenixstar (the “**Structured Contractual Arrangements**”). The Target Group, through Phoenixstar, is engaged in the arts and collections auction business in the PRC.

## **Consideration for the Proposed Acquisition**

The Consideration and the Consideration adjustments were determined after arm's length negotiations between the Purchaser and the Vendors. The total Consideration for the Proposed Acquisition shall be RMB250 million (equivalent to HK\$296 million) (subject to adjustments as defined below), and shall be paid by the Purchaser in the following installment payments:

- (a) A cash deposit in the sum of RMB25 million (equivalent to HK\$30 million) shall be paid within 5 business days from signing of the MOU, which deposit shall be fully refunded to the Purchaser if the Purchaser and the Vendors fail to enter into the Formal Agreement on or before 31 July 2016 (or such later date as may be agreed between the Purchaser and Vendors);
- (b) RMB105 million (equivalent to HK\$124 million) shall be paid by the Purchaser to the Vendors in cash on the Completion Date; and
- (c) RMB120 million (equivalent to HK\$142 million) shall be paid by the Purchaser to the Vendors by issuing the Consideration Shares at the price of HK\$4.00 per share on Completion, the Consideration Shares shall be deposited with the Purchaser by way of security and, subject to satisfaction of the profit guarantee by the Vendors, be released to the Vendors on the third anniversary of the Completion Date or within 30 days from the date of issuance of the audited report of the consolidated financial statements of the Target Group for the 12 months ending 30 June 2019, whichever is the later.

Each part of the Consideration shall be made to the Vendors in proportion to their existing shareholding in the Target Company.

The Consideration shall be adjusted in the following manner:

The Vendors hereby warrant that the audited consolidated net profits after tax of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards for each of the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 shall not be less than RMB25 million (equivalent to HK\$30 million), RMB35 million (equivalent to HK\$41 million) and RMB45 million (equivalent to HK\$53 million) respectively.

The Consideration Shares shall upon Completion be deposited with the Purchaser as security for the due performance of the profit guarantee by the Vendors, with adjustment to the Consideration as follows:

- (i) Should the deficit (if any) between the actual 3 years' average audited consolidated net profits after tax and the average Profit Guarantee amount per year (i.e. RMB35 million (equivalent to HK\$41 million)) is less than or equal to 10% (i.e. the 3 years' average audited consolidated net profits after tax is greater than or equal to RMB31.5 million (equivalent to HK\$37 million)), the compensation will be on a dollar to dollar basis; and

- (ii) Should the deficit (if any) between the actual 3 years' average audited consolidated net profits after tax and the average Profit Guarantee amount (i.e. RMB35 million (equivalent to HK\$41 million) is more than 10% (i.e. the 3 years' average audited consolidated net profit after tax is less than RMB31.5 million (equivalent to HK\$37 million)) the compensation will be calculated as follows:

compensation = RMB3.5 million + {7 x (absolute value of the deficit amount in RMB less RMB3.5 million)}

Upon 100% fulfilment of the Profit Guarantee, the Purchaser shall release all the Consideration Shares to the Vendors. However, if any adjustment to the Consideration as aforesaid is required, the Vendors shall forthwith dispose of part of the Consideration Shares issued to them on or before 28 February 2020 at the then market price of the Shares so as to raise funds to pay the compensation aforesaid to the Purchaser and if there is any remaining shortfall the Vendors shall forthwith pay such shortfall to the Purchaser.

The cash portion of the Consideration will be funded by the net proceeds from open offer completed by the Company on 9 December 2015.

#### **Conditions Precedent to the Acquisition**

The conditions precedent to Completion are:

1. the Purchaser is satisfied with due diligence in respect of the Target Group's business and operations;
2. the Purchaser is satisfied with a legal due diligence on the Target Group and, among others, the Structured Contractual Arrangements;
3. approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares and such approval not having been withdrawn prior to the Completion;
4. each of the Vendors shall have signed a service agreement with the Target Company to the effect that each of them will not terminate his/her agreement prior to 30 June 2019;
5. no third parties having sought at any courts or government authority in any jurisdiction, any litigation or proceedings, pending or threatened, which would limit or prohibit the transactions contemplated under the MOU or which would seek to declare the contemplated transactions as illegal or which seek substantial compensation or damages for losses arising from such transactions; and
6. all necessary consents and approvals in relation to transactions contemplated under the MOU having been obtained and the Vendors having complied with the relevant laws, and there having been no rules or regulations imposed by the relevant authorities, or any consents by third parties, to forbid or seriously delay the performance and completion of the MOU.

The conditions 1, 2 and 4 above may be waived by the Purchaser under the Formal Agreement. The conditions 3, 5 and 6 above are not capable of being waived by the Purchaser and the Vendors to the Formal Agreement.

In the event that the above conditions are not fulfilled (or waived) on or before the Long Stop Date, the Formal Agreement will lapse and each of the Company and the Vendors will be released from all obligations hereunder, save for any claim arising out of any antecedent breaches thereof.

Each of the Company and the Vendors shall use its reasonable endeavours to procure the fulfilment of the above conditions as soon as practicable and in any event on or before the Long Stop Date.

A party shall notify the other party as soon as practicable after it becomes aware of the fulfilment of any above condition.

### **Formal Agreement**

The Purchaser and the Vendors will use reasonable effort to negotiate and enter into the Formal Agreement on or before 31 July 2016 (or such later date as may be agreed between the Purchaser and the Vendors), failing which the MOU will lapse and each of the Purchaser and the Vendors shall have no claim against the other, save as regards antecedent breaches.

### **Exclusivity**

The Vendors will not, for a period of 60 days from the date of the MOU signed (or such later date to be agreed by the Purchaser and the Vendors), 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 completions, exclusivity, confidentiality, severability, dispute resolution, complete understanding and amendments, counterparts and binding effect which shall be binding upon the Company and the Vendors, 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 Vendors.

### **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The Group is principally engaged in (i) arts and collections related business; (ii) sale of vessels; (iii) marine engineering; and (iv) construction and structural steel engineering and related services.

As mentioned in the open offer prospectus of the Company dated 26 November 2015 and the annual report of the Company for the five months ended 31 December 2015, it is the intention of the Group to diversify its business with the objective of broadening its sources of income. The Group will focus on online and offline trade of cultural goods and cross-border e-commerce as the main business direction in future development of art and cultural related business.

The aim of the Group is to provide consumers an enjoyable shopping experience for high end art and collections. Further to the announcement of the Company dated 27 January 2016, the Group envisages building the offline arts and collections headquarter for providing an integrated functions of storage, exhibition, auction, promotion and trading of arts and collections. The Group is optimistic about the development of its offline arts and collections headquarter through the integration of high end art and collections auction as its new offline sales channel. Having considered, among other things:

- (i) the synergy between the Target Group's well-established team and client bases in the field of arts and collections auction and the development of the Company's online and offline arts and collections related business;
- (ii) the MOU has in place the performance targets covering the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 and a corresponding adjustment mechanism on the Consideration to safeguard the interest of the Company; and
- (iii) a significant portion of the entire Consideration is to be settled by way of Consideration Shares which will enlarge the equity base of the Company while preserving the Company's liquidity,

the Directors consider the Proposed Acquisition presents a valuable investment opportunity to enhance corporate development and broaden the income base of the Group which also facilitate the development of the Group's arts and collections related business.

The Directors consider that 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 Vendors 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 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
“BVI”	British Virgin Islands
“KSLF (BJ)”	a company to be established in the PRC with limited liability which will be a wholly-owned subsidiary of KSLF (HK)
“KSLF (HK)”	China King Sing Lun Fung Company Limited (中國景星麟鳳有限公司), a company incorporated in Hong Kong with limited liability which is the wholly-owned subsidiary of the Target Company
“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 will take place at 3:00 p.m. (Hong Kong time) on the 5th business day after fulfilment (or waiver) of the conditions precedent at the office of the Purchaser or at such other location, time or date as may be agreed between the Company and the Vendors
“Completion Date”	the date of Completion pursuant to the MOU

“Consideration”	the consideration payable by the Purchaser to the Vendors for the entire equity interest of the Target Company, being RMB250 million (equivalent to HK\$296 million) to be settled by cash and Consideration Shares (subject to adjustments as detailed in the section headed “Consideration for the Proposed Acquisition”)
“Consideration Share(s)”	the Shares to be issued and allotted by the Company to the Vendors at the Issue Price as to settle a portion of the Consideration in the amount of RMB120 million (equivalent to HK\$142 million)
“Directors”	directors of the Company
“Formal Agreement”	a formal sale and purchase agreement to be entered into amongst the Company and the Vendors in respect of the Proposed Acquisition and incorporating the terms and conditions of the MOU
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Issue Price”	the issue price of HK\$4.00 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Long Stop Date”	30 September 2016 (or such later date as may be agreed between the Purchaser and the Vendors in writing)
“Mr. An”	Mr. An Xinxian (安新鮮), a PRC citizen
“Mr. Zhao”	Mr. Zhao Chunan (趙春安), a PRC citizen
“MOU”	the memorandum of understanding dated 26 May 2016 entered into between the Company and the Vendors in relation to the Proposed Acquisition



“PRC”	means the People’s Republic of China, and for the purpose of the MOU shall not include Hong Kong, Taiwan and the Special Administrative Region of Macau
“Phoenixstar”	北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*), a company established in the PRC with limited Liability, which is engaged in the arts and collections auction business
“Purchaser”	DTXS Auction Limited, a company incorporated in the BVI with limited liability which is a wholly-owned subsidiary of the Company
“Proposed Acquisition”	the proposed acquisition by the Purchaser of the entire equity interest of the Target Company
“Profit Guarantee”	the profit guarantee warranted by the Vendors that the profits after tax of the Target Group for each of the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 shall not be less than RMB25 million, RMB35 million and RMB45 million respectively
“Reorganisation”	reorganisation to be conducted prior to Completion, details of which is set out in the paragraph headed “Reorganisation” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Structured Contractual Arrangements”	the structured contractual arrangements within the Target Group as detailed in the section headed “The information of the Target Group”
“Target Company”	China King Sing Lun Fung Auction Holdings Company Limited (中國景星麟鳳國際拍賣有限公司), a limited liability company incorporated in the BVI

“Target Group”

The Target Company, together with its subsidiaries and Phoenixstar

“Vendors”

Mr. Zhao and Mr. An, the legal and beneficial owners of the entire issued share capital of the Target Company as to 33% and 67% respectively and of the Phoenixstar as to 33% and 67% respectively

By order of the Board  
**DTXS SILK ROAD INVESTMENT HOLDINGS  
COMPANY LIMITED**  
**Wong Kwok Tung Gordon Allan**  
*Executive Director (Chief executive officer)*

Hong Kong, 26 May 2016

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

*For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of HK\$1 = RMB0.84432 (being the RMB central parity rate by the People’s Bank of China as at 26 May 2016). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

\* *For identification purpose only*