
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in DTXS Silk Road Investment Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to licenced securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(1) PROPOSED ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE
(2) GRANT OF PUT OPTION
BY CONTROLLING SHAREHOLDER —
POSSIBLE CONNECTED TRANSACTION
(3) PROPOSED ELECTION OF NON-EXECUTIVE DIRECTOR
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**



Financial Adviser to the Company



**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

A letter from the Board is set out from pages 5 to 28 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out from page 29 to 30 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out from pages 31 to 59 of this circular.

A notice convening the SGM to be held at Admiralty & The Peak, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 2:30 p.m. on Friday, 23 August 2019 is set out from pages 68 to 70 of this circular. Shareholders are advised to read the notice and complete and return the form of proxy for use at the SGM enclosed with this circular in accordance with the instructions printed thereon. A form of proxy for the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Company (<http://www.dtxs.com>) and Hong Kong Exchange and Clearing Limited (<http://www.hkexnews.hk>). To be valid, the enclosed form of proxy must be completed and signed in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof should you so wish.

7 August 2019

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Announcement”	the announcement of the Company dated 16 July 2019
“associate”	has the meaning ascribed to it under the Listing Rules
“Authorities”	any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational
“Board”	the board of Directors
“Business Day”	a day(s) (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business
“Company”	DTXS Silk Road Investment Holdings Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 620)
“Completion”	the completion of the Subscription subject to the conditions set out in the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DTXS International Holdings”	Da Tang Xi Shi International Holdings Limited (大唐西市國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability
“DTXS Investment”	Da Tang Xi Shi Investments Group Limited* (大唐西市文化產業投資集團有限公司), a company incorporated in the PRC with limited liability, which as to approximately 50.60% was owned by Mr. Lu
“Encumbrance”	any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party right, interest or preference of any kind or nature whatsoever
“Grantor”	DTXS International Holdings, the grantor of the Put Option
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guarantor”	Mr. Lu, the guarantor under the Put Option Deed
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders as to whether the terms of the Subscription Agreement, and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM to approve (i) the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); and (ii) the proposed election of non-executive Director
“Independent Third Party(ies)”	person or company who or which is not a connected person of the Company
“Intermediate Holding Companies”	collectively refer to DTXS Investment, Da Tang Xi Shi International Group Limited and DTXS International Holdings DTXS Investment has 100% equity interests in Da Tang Xi Shi International Group Limited which has 100% equity interests in DTXS International Holdings
“Latest Practicable Date”	5 August 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Lu”	Mr. Lu Jianzhong* (呂建中先生), being the chairman, the executive Director and the ultimate controlling shareholder of the Company
“Mr. Yang”	Mr. Yang Xingwen* (楊興文先生), being the executive Director
“Options”	the share options issued under the share option scheme, adopted by the Company on 6 December 2012, entitling the holder thereof to subscribe for Shares
“Option Price”	the amount in HK\$ at which the Subscriber may sell the Option Shares to the Grantor at the time of the exercise of the relevant Put Option or the Triggered Put Option (as the case may be)
“Option Shares”	the Subscription Shares and (if any) the Shares and other securities of the Company which may be acquired by the Subscriber pursuant to any Reorganization event under the Put Option Deed
“PRC”	the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Put Option”	the option entitling the Subscriber to require DTXS International Holdings to buy all or part of the Subscription Shares from the Subscriber at the Option Price
“Put Option Deed”	the put option deed dated 16 July 2019 entered into between DTXS International Holdings as the Grantor, the Subscriber as the grantee and Mr. Lu as the Guarantor in relation to the grant of the Put Option
“Reorganisation”	in relation to the Company any issue by way of capitalisation of profits or reserves or by way of rights and any consolidation or sub-division or reduction of capital or capital dividend or other reconstruction or adjustment relating to the equity share capital (or any shares, stock or securities derived therefrom) or rights issue or open offer and any other amalgamation or reconstruction affecting the equity share capital (or any shares, stock or securities derived therefrom)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	a special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); and (ii) the proposed election of non-executive Director
“Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Specific Mandate”	the specific mandate to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Subscription Shares to the Subscriber as contemplated under the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ion Tech Limited, a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 16 July 2019 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$5.3873 per Subscription Share
“Subscription Shares”	111,187,538 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
“%”	per cent.

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

* For identification purpose only



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)

Executive Directors:

Mr. Lu Jianzhong (*Chairman*)
Mr. Yang Xingwen
Mr. Lai Kim Fung (*Chief Executive Officer*)
Mr. Wong Kwok Tung Gordon Allan
(*Deputy Chief Executive Officer*)

Registered office:

Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

Non-executive Directors:

Mr. Wang Shi
Mr. Jean-Guy Carrier

*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

Independent Non-executive Directors:

Mr. Cheng Yuk Wo
Mr. Tsui Yiu Wa, Alec
Mr. Tse Yung Hoi

7 August 2019

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE
(2) GRANT OF PUT OPTION
BY CONTROLLING SHAREHOLDER —
POSSIBLE CONNECTED TRANSACTION
(3) PROPOSED ELECTION OF NON-EXECUTIVE DIRECTOR
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 July 2019 in which the Company announced that, on 16 July 2019 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot

LETTER FROM THE BOARD

and issue to the Subscriber, 111,187,538 Subscription Shares for approximately HK\$599.0 million in cash at the Subscription Price of HK\$5.3873 per Subscription Share. In connection with the Subscription Agreement, on 16 July 2019, DTXS International Holdings as the Grantor, the Subscriber as the grantee and Mr. Lu as the Guarantor entered into the Put Option Deed pursuant to which DTXS International Holdings has granted the Put Option to the Subscriber. The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the Option Shares in accordance with the terms set out in the Put Option Deed.

As at the Latest Practicable Date, 373,596,736 Shares were held by DTXS International Holdings. DTXS International Holdings is wholly owned by Da Tang Xi Shi International Group Limited, which is wholly-owned by DTXS Investment. Mr. Lu, being the controlling shareholder of DTXS Investment, is deemed to be interested in 373,596,736 Shares. As at the Latest Practicable Date, 4,996,000 Shares were beneficially held by Mr. Lu as personal interest, and in aggregate Mr. Lu was interested in 378,592,736 Shares, representing approximately 68.10% of the total issued capital of the Company.

Therefore, DTXS International Holdings is a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Subscriber may be sold to DTXS International Holdings as the Grantor upon the possible exercise of the Put Option or the Triggered Put Option (as the case may be) under the Put Option Deed, the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute as a connected transaction of the Company, which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM to allot and issue the Subscription Shares. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription Agreement and the Put Option Deed; (ii) the advice of the Independent Financial Adviser regarding the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); (iii) the recommendation of the Independent Board Committee regarding the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); (iv) details of the proposed election of non-executive Director; and (v) a notice of the SGM.

LETTER FROM THE BOARD

PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarized as below.

Date

16 July 2019

Parties

Issuer: the Company

Subscriber: the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. The background of the Subscriber can be referred to the below section headed “Information of the Subscriber” for details. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Subscription Shares

The Subscriber conditionally agreed to subscribe for 111,187,538 Subscription Shares, representing (i) approximately 20.00% of the existing issued share capital of the Company; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the date of the Announcement and the date of the Completion.

Subscription Price

The Subscription Price of HK\$5.3873 per Subscription Share was arrived at after arm’s length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions.

The Subscription Price represents:

- (i) a discount of approximately 17.88% to the closing price of HK\$6.560 per Share as quoted on the Stock Exchange on 15 July 2019, being the last trading day before the date of the Subscription Agreement;
- (ii) a discount of approximately 15.00% to the average closing price of approximately HK\$6.338 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreement;

LETTER FROM THE BOARD

- (iii) a discount of approximately 10.23% to the average closing price of approximately HK\$6.001 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 1.65% to the closing price of HK\$5.300 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 356.16% over the audited equity attributable to owners of the Company per Share of approximately HK\$1.181 (based on the audited equity attributable to owners of the Company of HK\$656,325,000 as at 31 December 2018 and 555,937,692 Shares in issue as at 31 December 2018).

Ranking

The Subscription Shares shall be duly authorised and issued fully paid, and rank *pari passu* in all respects with all other Shares outstanding on the date of the Completion and be entitled to all dividends and distributions attached to the Shares on the record date for which falls on a date on or after the date of the issue.

Conditions

The Completion shall be conditional on:

- (a) the Listing Committee having granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber reasonably objects) listing of, and permission to deal in, the Subscription Shares and the Listing Committee not having withdrawn or revoked such listing and permission on or before the Completion;
- (b) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement to the date of the Completion, save for any temporary trading halt or suspension in trading for no longer than three (3) consecutive trading days (or such longer period as the Subscriber may agree in writing), and there being no indication from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time before or after the Completion, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise;
- (c) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the SGM to be held and convened of resolution(s) to approve the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares;

LETTER FROM THE BOARD

- (d) each of the Company's representations, warranties and undertakings under the Subscription Agreement remaining true, complete and accurate and not misleading at the Completion as if repeated at the Completion and at all times between the date of the Subscription Agreement and the Completion;
- (e) the Company having obtained from or made to (as the case may be) the relevant Authorities all applicable approvals and filings in connection with the Subscription;
- (f) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to the Completion under the Subscription Agreement;
- (g) the Subscriber having completed the due diligence review on various aspects of the Group to its sole and absolute satisfaction;
- (h) the Put Option Deed being executed and delivered by the Grantor, the Subscriber and the Guarantor, the obligations of DTXS International Holdings thereunder having become and remaining unconditional in accordance with its terms (save for any condition therein relating to the Subscription Agreement having become and remaining unconditional), and the Put Option Deed not having been terminated in accordance with its terms or otherwise, prior to the Completion;
- (i) the Subscriber receiving from the Company all of the documents pursuant to the Subscription Agreement, in form and substance satisfactory to the Subscriber; and
- (j) each of the Subscriber's representations, warranties and undertakings under the Subscription Agreement remaining true, complete and accurate in all material respects and not misleading in any material respect at the date of the Completion as if repeated at the date of the Completion and at all times between the date of the Subscription Agreement and the date of the Completion.

In the event that any of the above conditions shall not have been fulfilled (or waived, if applicable) prior to 30 September 2019 or such later date which may be agreed by the Company and the Subscriber, the Subscription Agreement shall cease to be of any effect and terminate pursuant to the Subscription Agreement.

The Subscriber may waive all or any of the above conditions (save for the above conditions (a) and (c)) at any time by notice in writing to the Company. The Company may not unilaterally waive any of the above conditions.

Completion

Completion is expected to take place on the third Business Days after all of the above conditions have been fulfilled or waived (or such later date as the Company and the Subscriber may agree in writing).

LETTER FROM THE BOARD

Lock-up Undertaking

During the period commencing on the date of the Subscription Agreement and ending on the date that is six(6) months after the date of the Completion (both days inclusive) (the “**Lock-up Period**”), the Company has undertaken to the Subscriber not to, and to procure each of the other company of the Group not to, without the prior written consent of the Subscriber and unless in compliance with the requirements of the Listing Rules and applicable Laws:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction specified as the above (a) or (b); or
- (d) offer to or agree to or announce any intention to effect any transaction specified in the above (a), (b) or (c),

in each case, whether any of the transactions specified in the above (a), (b) or (c) is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other company of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the Lock-up Period).

LETTER FROM THE BOARD

The above lock-up undertakings should not apply to any of the following situations during the Lock-up Period, (i) the allotment and issue of the Subscription Shares pursuant to the Subscription, (ii) the allotment and issue of any Shares pursuant to the exercise of any Options that have been or may be granted during the Lock-up Period under the existing share option scheme of the Company or any other conversion or subscription rights existing at the date of the Subscription Agreement; and (iii) the allotment and issue of Shares pursuant to any scrip dividend scheme or other similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on shares in accordance with the bye-laws of the Company.

Right of First Refusal

The Company agrees that immediately following expiry of the Lock-up Period and for a period of 18 months thereafter, for so long as the Subscriber holds any Shares, the Company shall not allot, issue or grant any Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares (“**New Securities**”) to any person unless the Company has in the first instance offered such New Securities to the Subscriber on the same terms and at the same price as those New Securities are being offered to other persons on a *pari passu* and pro rata basis to the number of the Shares held by the Subscriber at that time. Such offer shall be in writing, be open for acceptance from the date of the offer to the 10th Business Day immediately following the date of the offer (inclusive) (the “**Acceptance Period**”) and give details of the number and subscription price of the New Securities.

If, at the end of the Acceptance Period, the Subscriber does not exercise its rights to accept the New Securities or the number of New Securities accepted by the Subscriber is less than the number of New Securities:

- (i) (if any and where applicable) the New Securities accepted by the Subscriber shall be issued to the Subscriber in accordance with its acceptance; and
- (ii) any remaining New Securities may be offered to any other person(s) as the Directors may determine at the same price and on the same terms as the offer to the Subscriber.

The above procedures in relation to the right of first refusal shall not apply to:

- (i) a pro rata offer made to all eligible Shareholders;
- (ii) any Shares to be issued pursuant to the exercise of any Options that have been or may be granted under the existing share option scheme of the Company;
- (iii) any other conversion or subscription rights existing at the date of the Subscription Agreement; or
- (iv) New Securities which the Subscriber has agreed in writing may be issued without complying with the above procedure.

LETTER FROM THE BOARD

Upon the Completion, the Subscriber will become a substantial shareholder of the Company and thus a connected person of the Company. Therefore, upon the exercise of the right of first refusal, the Company will comply with all the requirements under Chapter 14A of the Listing Rules, if applicable. Given the right of first refusal, the Subscriber will have material interest in capital activities of the Company, which may in turn give rise to an opportunity that the Subscriber may exercise the right of first refusal. The Company understands that the Subscriber will abstain from voting on resolution(s) at general meeting(s) of the Company that may give rise to the exercise of the right of first refusal.

The Directors are of the view that the above undertakings of Lock-up Period and right of first refusal are fair and reasonable and in the interest of the Company and the Shareholders as a whole on the following bases:

- (i) the Subscription, together with the above undertakings as a whole, provides timely source of funding for the Group's business development in the cultural industry with the benefits of forming a strategic partnership with NWD Group which is in the interests of the Company and the Shareholders;
- (ii) after taking into account the financial resources available to the Group including internally generated funds and the estimated net proceeds from the Subscription, the Company, subject to the successful Completion, currently has no other fund raising plans in the next six months for its business development; and
- (iii) the Directors consider that the undertaking of right of first refusal period of 18 months following expiry of the Lock-up Period proposed by the Subscriber indicates its confidence on the Group's business development in cultural industry and the close cooperation between the Group and NWD Group in long term. Nevertheless, upon the Completion, the Subscriber will become a connected person of the Company under the Listing Rules. The operation of the above undertaking of right of first refusal for any New Securities will be subject to compliance with the requirements of the Listing Rules in relation to connected transactions, including but not limited to approval by the independent Shareholders, if applicable.

Nomination of Director by the Subscriber

The Company agrees, undertakes to and covenants with the Subscriber that, with effect from the Completion and for so long as the Subscriber holds any Shares, the Subscriber shall have the right to: (i) nominate its designated person to be appointed as a Director; and (ii) in the event that any such designated person resigns, retires, is incapacitated, is removed, ceases to act or is otherwise no longer a Director or is or becomes prohibited by the applicable Laws, the Listing Rules or the Company's bye-laws from acting as a Director, nominate another designated person to be appointed as a Director, from time to time at its sole and absolute discretion. Upon the exercise of the nomination right of the Subscriber, the candidate nominated by the Subscriber will be reviewed by the Board and the nomination committee of the Company in respect of the suitability of the appointment of such candidate to the Board.

LETTER FROM THE BOARD

The Subscriber has nominated and the Company shall appoint or procure the appointment of, Dr. Cheng Kar-Shun, Henry, who is the chairman and an executive director of New World Development Company Limited (stock code: 0017), as a non-executive Director with effect from the date of the Completion. The nomination committee of the Company has reviewed the suitability of the appointment of Dr. Cheng Kar-Shun, Henry as a non-executive Director, with reference to his qualification, skills, knowledge and experience and the Board diversity policy of the Company, before the announcement of the transactions contemplated under the Subscription Agreement and the Put Option Deed. The nomination committee of the Company was of the view that Dr. Cheng Kar-Shun, Henry was a suitable candidate to be appointed as a non-executive Director.

A resolution will be proposed at the SGM for the Independent Shareholders to consider, and if thought fit, elect Dr. Cheng Kar-Shun, Henry as a non-executive Director effective on the date of the Completion. For more information, please refer to the paragraph headed “Proposed Election of Non-Executive Director” in this circular.

GRANT OF THE PUT OPTION BY THE CONTROLLING SHAREHOLDER OF THE COMPANY TO THE SUBSCRIBER

PUT OPTION DEED

In connection with the Subscription Agreement, on 16 July 2019, DTXS International Holdings as the Grantor, the Subscriber as the grantee and Mr. Lu as the Guarantor entered into the Put Option Deed pursuant to which the Grantor has granted the Put Option to the Subscriber. The principal terms of the Put Option Deed are summarized as below.

Date

16 July 2019

Parties

Grantor: DTXS International Holdings

Grantee: the Subscriber

Guarantor: Mr. Lu

Put Option

The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the Option Shares in accordance with the terms set out in the Put Option Deed.

LETTER FROM THE BOARD

Option Period

The put option period (the “**Option Period**”) means a period of three (3) months commencing from the first day of the 25th month from the date of the Completion and expiring on the last day of the 27th month from the date of the Completion (both days inclusive).

Exercise of the Put Option

The Put Option may be exercised by the Subscriber at any time and from time to time during the Option Period, by the delivery of the option exercise notice to the Grantor. The option exercise notice cannot be revoked or withdrawn once served on the Grantor.

If the option exercise notice is not served within the Option Period, the Put Option shall lapse and be of no further effect and the Put Option Deed shall forthwith terminate and cease to be of effect (except for certain clauses relating to indemnity, general, term and termination, confidentiality, notices and other communications, governing law and jurisdiction, process agent and waiver of immunity under the Put Option Deed) and save as aforesaid or in respect of any antecedent breaches, none of the Subscriber, the Grantor and the Guarantor to the Put Option Deed shall have any further liability under or pursuant to the provisions of the Put Option Deed.

The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the Option Shares (the “**Triggered Put Option**”) which option shall be immediately exercisable by the Subscriber at any time and from time to time more than once after the occurrence of any of the following events (the “**Triggering Events**”), during the period of twenty-four (24) months from the date of the Completion, by the delivery of option exercise notice(s) to the Grantor and all the provisions relating to the exercise and completion of the Put Option shall apply to any exercise of the aforementioned option(s):

- (a) the Grantor ceases to beneficially hold more than 50.10% of the total number of issued Shares (whereby all securities convertible into Shares, or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares, shall be treated as if they were all converted);
- (b) any change in shareholding of any of the Intermediate Holding Companies, unless the prior written consent of the Subscriber shall have been obtained, which shall not be unreasonably withheld or delayed by the Subscriber;
- (c) any change of control (as defined in the Takeovers Code) of the Company;
- (d) the Guarantor ceases to be the chairman of the Company or a Director;
- (e) any of the Grantor, the Intermediate Holding Companies and the Guarantor is investigated by any Authority;

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- (f) any trading halt or suspension in trading of the Shares or any other securities of the Company for longer than three (3) consecutive trading days except for clearance of any announcement or circular regarding any notifiable or connected transactions;
- (g) an order or petition for the winding up of the Company or any other company of the Group or any composition or arrangement made by the Company or any other company of the Group with its creditors or a scheme of arrangement entered into by the Company or any other company of the Group or any resolution for the winding up of the Company or any other company of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company or any other company of the Group or anything analogous thereto occurring in respect of the Company or any other company of the Group;
- (h) the Company is unable to publish its annual or interim results announcement or report within the time prescribed or otherwise as required under the Listing Rules or other applicable Laws, or the Company's auditor issues or is likely to issue, a "modified report" or a "modified opinion" (each as defined in the Listing Rules);
- (i) any event or circumstance which in the sole and absolute opinion of the Subscriber has or would have a material adverse effect on: (a) the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; (b) purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Option Shares; or (c) the ability of the Grantor or the Guarantor to perform its/his obligations under the Put Option Deed;
- (j) any of the Grantor, the Intermediate Holding Companies and the Guarantor creates or allows to subsist any Encumbrance over the Shares or other shares or securities held by it/him relating to the Company during the period of twenty-four (24) months from the date of the Completion (save for any Encumbrance created for securing any loan or borrowing not exceeding 30% of the value of the Shares or other shares or securities relating to the Company in which the Grantor, the Intermediate Holding Companies and/or the Guarantor (as the case may be) own or are interested held by them upon creating such Encumbrance during the period of twenty-four (24) months from the date of the Completion, and the Grantor and the Guarantor shall prior to creating such Encumbrance notify the Subscriber in writing with sufficient details and such information and supporting documents as the Subscriber may require);
- (k) any breach by the Company of the restrictions on issue of securities during the Lock-up Period or the right of first refusal under the Subscription Agreement; or

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- (l) any material breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties and undertakings of (a) the Grantor or the Guarantor under the Put Option Deed as at the date given or deemed to be given or (b) the Company under the Subscription Agreement as at the date given or deemed to be given.

Option Price

The Subscriber shall sell and the Grantor shall purchase all or part of the Option Shares at the Option Price based on the below formula and less any cash dividend entitlements in respect of each Share declared, or recommended or resolved to be paid or made by the Company where the record date therefor falls within the period commencing from (and including) the date of the Completion until (and including) the day before the settlement date of the Put Option in respect of such relevant Option Shares:

$$\frac{A}{B} \quad x \quad 1.25 \quad x \quad C$$

A: amount equal to the sum of (i) the aggregate consideration paid by the Subscriber for all the Subscription Shares held at that time and (ii) the aggregate consideration paid by the Subscriber for all Shares and other securities of the Company acquired by the Subscriber pursuant to any Reorganisation event under the Put Option Deed for all the Option Shares held at that time

B: number of all Option Shares held at that time

C: number of relevant Option Shares to be sold by the Subscriber to the Grantor as specified in the relevant option exercise notice

Conditions Precedent

The Put Option Deed will become effective upon:

- (a) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the SGM of the necessary resolutions to approve the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares; and
- (b) the Subscription Agreement being entered into by the Company and the Subscriber, the obligations of the Company and the Subscriber thereunder having become and remaining unconditional in accordance with its terms (save for any condition therein relating to the Put Option Deed having become and remaining unconditional), and the Subscription Agreement not having been terminated in accordance with its terms or otherwise.

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In the event that any of the above conditions shall not have been fulfilled (or waived, if applicable) prior to 30 September 2019 or such later date which may be agreed by the Subscriber, the Grantor and the Guarantor, the Put Option Deed shall cease to be of any effect, except the clauses of indemnity, general, term and termination, confidentiality, notice and other communications, governing law and jurisdiction, process agent and waiver of immunity under the Put Option Deed, which shall remain in force and save in respect of claims arising out of any antecedent breach of the Put Option Deed.

Completion of the Transfer of the Option Shares

Each completion of the transfer of the relevant Option Shares will take place on the date falling one week after the receipt of the relevant option exercise notice by the Grantor (or, if that is not a Business Day, the first Business Day thereafter).

Reorganisation

1. Co-operation in relation to Reorganisation

The Grantor shall promptly notify the Subscriber in writing on a strictly confidential basis upon becoming aware of any proposal made by the Company to effect a Reorganisation and shall permit the Subscriber to consult with the Grantor in relation to the Reorganisation.

The Directors consider that the above undertaking is concluded between the Grantor and the Subscriber as Shareholders which is also subject to the relevant laws and regulations, including but not limited to the SFO and the Listing Rules. In addition, the Company and its Directors (including Mr. Lu) are not under any contractual obligation to notify the Subscriber for any proposal made by the Board internally to effect a Reorganisation.

2. Inclusion of Shares and other securities resulting from a Reorganisation

If any Reorganisation shall take place after the execution and delivery of the Put Option Deed but prior to the completion of the sale of the Option Shares or any of them pursuant to any exercise of the Put Option or the Triggered Put Option, all Shares and other securities of the Company (if any) which shall have become owned by the Subscriber or its successors or assignees as a result of each such Reorganisation and which shall derive (whether directly or indirectly) from the Option Shares held before the Reorganisation shall be deemed to be subject to the Put Option and the Triggered Put Option (except that the Option Price shall be deemed to be the original cost of the Subscriber to the extent the Subscriber has not paid for such Shares and securities) and shall to the extent that the same relate to such of the Option Shares as are the subject of the particular sale be transferred to the Grantor in accordance with the relevant clause under the Put Option Deed (with adjustment to the Option Price if required), provided that nothing herein shall be construed as imposing any obligation on the Subscriber either to exercise or to refrain from exercising any rights or powers conferred on the Subscriber by or deriving from the Option Shares.

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Undertaking

Each of the Grantor and the Guarantor undertakes to and covenants with the Subscriber that any time during the period of twenty-four (24) months from the date of the Completion and the Option Period, it will not take any actions resulting in any of the Triggering Events.

Each of the Grantor and the Guarantor further agrees, undertakes to and covenants with the Subscriber that it/he shall, and shall procure that the Intermediate Holding Companies will, ensure that the Company shall comply with and give full effect to the restrictions on issue of securities during the Lock-up Period and the right of first refusal under the Subscription Agreement.

Each of the Grantor and the Guarantor further agrees, undertakes to and covenants with the Subscriber that it/he shall, and shall procure that the Intermediate Holding Companies will, notify the Subscriber of any change to its/his shareholding in the Company which requires notification pursuant to Part XV of the SFO during the term of the Put Option Deed with sufficient details and such information and supporting documents as the Subscriber may require (including, without limitation, copies of disclosure of interests forms filed pursuant to Part XV of the SFO).

Guarantee and Indemnity

The Guarantor irrevocably, absolutely and unconditionally:

- (a) guarantees to the Subscriber the due and punctual observance and performance by the Grantor of all of the obligations of, or expressed to be assumed by the Grantor under or pursuant to the Put Option Deed, and undertakes and agrees to pay (as if he was the principal obligor) to the Subscriber from time to time, immediately upon demand by the Subscriber, any and all sums of money which the Grantor is at any time liable, or expressed to be liable, to pay to the Subscriber under or pursuant to the Put Option Deed which have become, or are expressed to have become, due and payable but have not been paid at the time such demand is made;
- (b) agrees as an independent and primary obligation as principal debtor to indemnify the Subscriber from time to time, upon demand by the Subscriber, from and against any cost, loss or liability incurred by the Subscriber as a result of any of the obligations of or expressed to be assumed by the Grantor under or pursuant to the Put Option Deed being or becoming void, voidable, unenforceable or ineffective as the Grantor for any reason whatsoever, whether or not known to the Subscriber, the amount of such loss being the amount which the Subscriber would otherwise have been entitled to recover from the Grantor; and

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- (c) agrees with the Subscriber that if, for any reason, any amount claimed by the Subscriber under this clause is not recoverable from the Grantor on the basis of a guarantee then the Guarantor will be liable as a principal debtor and primary obligor to indemnify the Subscriber in respect of any loss, cost or liability the Subscriber incurs as a result of the Grantor failing to perform and observe all the obligations and/or pay any amount expressed to be payable by it under the Put Option Deed on the date when it ought to have been paid.

The above guarantee is a continuing guarantee and indemnity and will extend to the ultimate balance of all sums payable by the Grantor under the Put Option Deed, regardless of any intermediate payment or discharge in whole or in part.

Lapse of the Put Option Deed

The Put Option Deed shall terminate upon an occurrence of any of the following:

- (a) the expiration of the Option Period; and
- (b) written agreement between the Subscriber, the Grantor and the Guarantor that the Put Option Deed shall be terminated.

but without prejudice to any right or remedy of any party against any other party arising out of any antecedent breach of the Put Option Deed.

Notwithstanding anything to the contrary in the Put Option Deed, the Grantor shall be released from its further obligations under the Put Option Deed upon the termination of the Put Option Deed in accordance with the above.

INFORMATION OF THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability and is principally engaged with its subsidiaries in (i) auction business and arts and collections related business; (ii) e-Commerce, including making and sales of wine; and (iii) marine, construction and structural steel engineering and related services.

The Group, focusing on the development in the cultural industry, endeavors to leverage on the business network of the parent group, in particular, in the arts and cultural industry, to expand and develop the operation of cultural artworks auction, international artwork trading platform (the eight service centers), cultural industrial parks and cultural tourism. With reference to the announcement of the Company dated 28 June 2019, the Company has entered into the heads of agreement with a wholly-owned subsidiary of the parent company in relation to a proposed acquisition which will enable the Group to participate in the development of a comprehensive Silk Road International Cultural Center that features all-round cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex in Xi'an of the PRC (the “**Xi'an Cultural Project**”).

LETTER FROM THE BOARD

INFORMATION OF THE GRANTOR

DTXS International Holdings is a company incorporated in the British Virgin Islands and is engaged in investment holding. DTXS International Holdings is a wholly-owned subsidiary of Da Tang Xi Shi International Group Limited and the immediate holding company of the Company. Mr. Lu is the ultimate controlling shareholder of the Grantor.

INFORMATION OF THE GUARANTOR

Mr. Lu is the chairman, the executive Director and the ultimate controlling shareholder of the Company.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of New World Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0017), which together with its subsidiaries (“**NWD Group**”) is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

In recent years, NWD Group has actively promoted the clusters related to the property ecosystem, and through various forms of services and cross-sectors cooperation, to enhance customer experience and loyalty, and to achieve sustainable synergies with the core business.

REASONS FOR THE ISSUE OF SUBSCRIPTION SHARES AND USE OF PROCEEDS

Based on the common business interest of the Company and the Subscriber, the Subscription represents a valuable opportunity for the Company to introduce the Subscriber as a strategic Shareholder, which broadening the Company’s platform for cultural development by leveraging on NWD Group’s extensive business development experience and networks in the Greater China, in particular, the cultural industrial parks and international artwork trading platform, creating a synergistic effect in the development of the cultural businesses and bringing a win-win situation both to the Group and the Subscriber. The Group is able to leverage on its own strengths in cultural business, contributing cultural factors to supplement each other, and to develop cultural industrial parks in the PRC, fitting its cultural characteristics collaboratively and seize the opportunities for expansion. The Directors are also of the view that the Subscription can strengthen the financial position of the Company, which provides extra resources to the Group to pursue future development.

LETTER FROM THE BOARD

The Company has considered other forms of fund-raising methods, including pre-emptive equity issue (such as a rights issue or an open offer) and debt financing (such as bank and other borrowings). Pre-emptive equity issue, such as a rights issue, would (i) incur additional costs, including but not limited to underwriting commission and documentation and other professional fees; and (ii) take a relatively longer timeframe when compared to the placing or subscription of new Shares. In relation to debt financing, further borrowings would create additional interest burden on the Group and the due diligence and negotiation process with the relevant banks may be lengthy, and debt financing would also increase the debt-to-equity ratio of the Group. As compared to the Subscription, the Directors consider that the Subscription is a relatively timely source of funding and is more cost-effective, together with the benefits of forming a strategic partnership with NWD Group. The Directors are of the view that the Subscription is appropriate and beneficial to the Group.

Assuming the successful completion of the Subscription, the maximum gross proceeds from the Subscription are expected to be approximately HK\$599.0 million. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$597.0 million. The net issue price per Subscription Share from the Subscription will be approximately HK\$5.3693. The Company currently intends to use the net proceeds from the Subscription in the following manner:

- (i) approximately HK\$327.8 million to jointly invest in development of the Xi'an Cultural Project with the controlling shareholders of the Company. As mentioned in the announcement of the Company dated 28 June 2019, the Xi'an Cultural Project has 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 made up of three major areas, namely (i) the headquarter of Silk Road Chamber of International Commerce Tower in western China; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street, with a total gross floor area of approximately 260,000 square meters. The Company considers that the investment in the Xi'an Cultural Project will serve as a driving force for the development of the Group's business in relevant cultural industry. The Company intends to allocate (i) up to approximately HK\$113.6 million for the payment of the consideration for acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited as mentioned in the announcement of the Company dated 28 June 2019; and (ii) the remaining balance to further invest in the Xi'an Cultural Project for its construction and development;
- (ii) approximately HK\$200.0 million to further develop and expand the auction business of the Group in the PRC and Hong Kong which is a part of cultural industry and a key segment of the Group; and
- (iii) the remaining balance of approximately HK\$69.2 million will be used for general working capital of the Group and any other investment opportunities which may arise in the foreseeable future.

LETTER FROM THE BOARD

If the formal agreement for the Xi'an Cultural Project is not materialized, approximately HK\$327.8 million would be used for developing other cultural projects by leveraging on the business network of the controlling shareholders of the Company. As disclosed in the announcement of the Company dated 28 June 2019, the Group has been endeavouring to explore any means of cooperation, focusing on development in the cultural industry by leveraging on the business network and resources of the controlling shareholders of the Company, and to develop businesses around the cultural industries and business similar to finance, including operations and auction of cultural artworks, participation in the international artwork trading platform, investment in cultural industrial parks and the development of experience in cultural tourism.

(i) Mr. Lu, being the chairman of the Company and the executive Director, is also the director and the ultimate controlling shareholder of the Grantor; (ii) Mr. Yang, being the executive Director, is also the shareholder and the director of DTXS Investment which is the shareholder of the Grantor; and (iii) Mr. Wong Kwok Tung Gordon Allan, being the executive Director and deputy chief executive officer of the Company, is also the director of the Grantor. As the Grantor has material interests in the transactions contemplated under the Subscription Agreement together with the Put Option Deed, all of the above-mentioned Directors have abstained from voting on the Board resolution(s) for (i) approving the Subscription Agreement and the transactions contemplated thereunder; and (ii) the proposed election of non-executive Director.

The Directors (including the independent non-executive Directors but excluding the above mentioned three Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and the transactions contemplated under the Subscription Agreement and the Put Option Deed are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the Latest Practicable Date and the Completion; and (iii) after the Completion and immediately following the completion of the transfer of all the Option Shares pursuant to the exercise of the Put Option or the Triggered Put Option (as the case may be) assuming that (a) there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) during the period between the date of the Completion and the completion of the transfer of the Option Shares; and (b) the Put Option or the Triggered Put Option (as the case may be) in relation to the Option Shares is exercised in full, are set out as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the Completion		After the Completion and immediately following the completion of the transfer of all the Option Shares pursuant to the exercise of the Put Option or the Triggered Put Option (as the case may be)	
	Number of issued Shares	Approximate percentage	Number of issued Shares	Approximate percentage	Number of issued Shares	Approximate percentage
	DTXS International Holdings	373,596,736	67.20%	373,596,736	56.00%	484,784,274
Mr. Lu (<i>Note 1</i>)	4,996,000	0.90%	4,996,000	0.75%	4,996,000	0.75%
Subscriber	—	—	111,187,538	16.67%	—	—
Public Shareholders	<u>177,344,956</u>	<u>31.90%</u>	<u>177,344,956</u>	<u>26.58%</u>	<u>177,344,956</u>	<u>26.58%</u>
Total	<u>555,937,692</u>	<u>100.00%</u>	<u>667,125,230</u>	<u>100.00%</u>	<u>667,125,230</u>	<u>100.00%</u>

Note 1: 373,596,736 Shares were held by DTXS International Holdings. DTXS International Holdings is wholly-owned by Da Tang Xi Shi International Group Limited, which is wholly-owned by DTXS Investment. Mr. Lu, being the controlling shareholder of DTXS Investment, was deemed to be interested in 373,596,736 Shares.

The Board considers that the Company can maintain the minimum public float as prescribed by the Listing Rules (i) immediately after the Completion; and (ii) after the Completion and immediately following the completion of the transfer of all the Option Shares pursuant to the exercise of the Put Option or the Triggered Put Option (as the case may be).

SPECIFIC MANDATE

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM to allot and issue the Subscription Shares.

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APPLICATION FOR LISTING

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 373,596,736 Shares were held by DTXS International Holdings. DTXS International Holdings is wholly-owned by Da Tang Xi Shi International Group Limited, which is wholly-owned by DTXS Investment. Mr. Lu, being the controlling shareholder of DTXS Investment, is deemed to be interested in 373,596,736 Shares. As at the Latest Practicable Date, 4,996,000 Shares were beneficially held by Mr. Lu as personal interest, in aggregate Mr. Lu was interested in 378,592,736 Shares, representing approximately 68.10% of the total issued capital of the Company.

Therefore, DTXS International Holdings is a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Subscriber may be sold to DTXS International Holdings as the Grantor upon the possible exercise of the Put Option or the Triggered Put Option (as the case may be) under the Put Option Deed, the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute as a connected transaction of the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement).

First Shanghai has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) and the manner of voting by the Independent Shareholders on the relevant resolution(s). The letter from the Independent Financial Adviser is set out on pages 31 to 59 of this circular.

LETTER FROM THE BOARD

PROPOSED ELECTION OF NON-EXECUTIVE DIRECTOR

In view of the nomination of the Director by the Subscriber and the recommendation from the nomination committee of the Company, an ordinary resolution will be proposed at the SGM for the Independent Shareholders to consider and, if thought fit, approve the election of Dr. Cheng Kar-Shun, Henry as a non-executive Director with effect from the date of the Completion. The biography of Dr. Cheng Kar-Shun, Henry and further information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules is set out below:

Dr. CHENG Kar-Shun, Henry (“**Dr. Cheng**”) GBM, GBS, aged 72, is the chairman and executive director of New World Development Company Limited (stock code: 0017), NWS Holdings Limited (stock code: 0659) and Chow Tai Fook Jewellery Group Limited (stock code: 1929), the chairman and non-executive director of New World Department Store China Limited (stock code: 0825), FSE Services Group Limited (stock code: 0331), the vice-chairman and non-executive director of i-CABLE Communications Limited (stock code: 1097), all of which are listed public companies in Hong Kong.

Dr. Cheng is the chairman and managing director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was the chairman and executive director of International Entertainment Corporation (stock code: 1009) up to his resignation on 10 June 2017, an independent non-executive director of HKR International Limited (stock code: 0480) and Hang Seng Bank, Limited (stock code: 0011) up to his resignation on 31 March 2018 and retirement on 10 May 2018 respectively, the chairman and non-executive director of Newton Resources Ltd (stock code: 1231) up to his resignation on 9 April 2018 and a non-executive director of SJM Holdings Limited (stock code: 0880) up to his retirement on 11 June 2019, all of which are listed public companies in Hong Kong.

Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation. He was a member of the Standing Committee of the Twelfth National Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region.

Dr. Cheng is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited and Citiplus Investment Limited, all of them will become substantial shareholders of the Company immediately after the date of the Completion.

Upon the Completion, Dr. Cheng will enter into an appointment letter with the Company for an initial term of three years commencing from the date of the Completion which may be terminated by either party giving one month’s written notice to each other. He is also subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. Pursuant to the appointment letter, Dr. Cheng is entitled to a director’s fee

LETTER FROM THE BOARD

of HK\$360,000 per annum. Dr. Cheng's remuneration was recommended by the remuneration committee of the Company and determined by the Board with reference to his duties and responsibilities with the Company and the prevailing market conditions.

As at the Latest Practicable Date and save as disclosed above, Dr. Cheng (i) did not have any relationship with any Director, senior management, substantial or controlling Shareholders of the Company; (ii) did not hold any other positions with the Company and/or its subsidiaries; (iii) did not have any interest in Shares of the Company within the meaning of Part XV of the SFO; (iv) did not hold any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date and did not have any other major appointment or professional qualification; and (v) had no other matters that needed to be brought to the attention of the Shareholders and there was no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

COMPLIANCE WITH RULE 3.10A OF THE LISTING RULES

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive Directors representing at least one-third of the Board.

Following the election of Dr. Cheng as a non-executive Director becoming effective on the date of the Completion (subject to it being approved at the SGM), the composition of the Board will comprise four (4) executive Directors, three (3) non-executive Directors and three (3) independent non-executive Directors. The number of independent non-executive Directors on the Board will represent less than one-third of the Board as required under Rule 3.10A of the Listing Rules.

The Company is seeking suitable candidate(s) to be appointed as an independent non-executive Director to meet the requirements set out in Rules 3.10A of the Listing Rules as soon as practicable upon the successful election of Dr. Cheng becoming effective on the date of the Completion, and will make further announcement(s) as and when appropriate. If Dr. Cheng is successfully elected at the SGM and the Company's appointment of an independent non-executive Director cannot be made on or before the date of the Completion, the Company will appoint an independent non-executive Director within three months after Dr. Cheng's successful election in compliance with Rule 3.11 of the Listing Rules.

SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); and (ii) the proposed election of non-executive Director.

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Pursuant to the Listing Rules, DTXS International Holdings, Mr. Lu and their respective associates, who are Shareholders, will be required to abstain from voting on (the relevant resolutions at the SGM (i) approving the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); and (ii) the proposed election of non-executive Director.

A notice convening the SGM to be held at Admiralty & The Peak, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 2:30 p.m. on Friday, 23 August 2019 is set out from pages 68 to 70 of this circular, the Shareholders are advised to read the notice and complete and return the form of proxy for use at the SGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Company (<http://www.dtxs.com>) and Hong Kong Exchange and Clearing Limited (<http://www.hkexnews.com>). To be valid, the enclosed form of proxy must be completed and signed in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of the Company, voting at the SGM will be conducted by poll and the chairman of the SGM will demand a poll for the resolution to be proposed at the SGM.

RECOMMENDATION

Having considered the above-mentioned benefits to the Group and the advice of the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and the transactions contemplated under the Subscription Agreement and the Put Option Deed as a whole are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors but excluding the three executive Directors who have abstained from voting on the relevant Board resolution(s)) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve (i) the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement); and (ii) the election of non-executive Director.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30 of this circular and the letter from the Independent Financial Adviser set out on pages 31 to 59 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) and the principal factors considered by it in arriving at its recommendation.

GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix I to this circular.

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



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)

7 August 2019

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE
AND
GRANT OF PUT OPTION
BY CONTROLLING SHAREHOLDER —
POSSIBLE CONNECTED TRANSACTION**

This Independent Board Committee has been established to advise you on the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement), details of which are set out in the circular of the Company to the Shareholders dated 7 August 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

Having considered the terms of the Subscription Agreement and the Put Option Deed, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 31 to 59 of the Circular, we are of the opinion that the terms of the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) as a whole are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Share to the Subscriber pursuant to the Subscription Agreement).

Yours faithfully,
Independent Board Committee

Mr. Cheng Yuk Wo

Mr. Tsui Yiu Wa, Alec

Mr. Tse Yung Hoi

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) taking into account that all or part of which may be put back to DTXS International Holdings upon the exercise of the Put Option, prepared for the purpose of incorporation in this circular.



First Shanghai Capital Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

7 August 2019

*To the Independent Board Committee and
the Independent Shareholders*

DTXS Silk Road Investment Holdings Company Limited
Room 811–817
8th Floor, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

**(1) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE
AND
(2) GRANT OF PUT OPTION BY CONTROLLING
SHAREHOLDER — POSSIBLE CONNECTED TRANSACTION**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) taking into account that all or part of which may be put back to DTXS International Holdings (i.e. also referred as the “**Controlling Shareholder**”) upon the exercise of the Put Option or Triggered Put Option (as the case maybe), details of which are contained in the circular to the Shareholders dated 7 August 2019 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 16 July 2019, the Company and the Subscriber entered into the Subscription Agreement under which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for 111,187,538 new Shares at the Subscription Price of HK\$5.3873 per Subscription Share.

The total number of Subscription Shares represented approximately 20.00% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the Latest Practicable Date and the date of the Completion. The Subscription Shares will be allotted and issued under the Specific Mandate.

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM to allot and issue the Subscription Shares. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

In connection with the Subscription Agreement, on 16 July 2019, DTXS International Holdings as the Grantor, the Subscriber as the grantee and Mr. Lu as the Guarantor entered into the Put Option Deed pursuant to which DTXS International Holdings (i.e. the Controlling Shareholder) has granted the Put Option to the Subscriber. The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the Option Shares in accordance with the terms set out in the Put Option Deed.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 373,596,736 Shares were held by DTXS International Holdings. DTXS International Holdings is wholly owned by Da Tang Xi Shi International Group Limited, which is wholly-owned by DTXS Investment. Mr. Lu, being the controlling shareholder of DTXS Investment, is deemed to be interested in 373,596,736 Shares. As at the Latest Practicable Date, 4,996,000 Shares were beneficially held by Mr. Lu as personal interests, and in aggregate Mr. Lu was interested in 378,592,736 Shares, representing approximately 68.10% of the total issued share capital of the Company.

Therefore, DTXS International Holdings is a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Subscriber may be sold to DTXS International Holdings as the Grantor upon the possible exercise of the Put Option or the Triggered Put Option (as the case may be) under the Put Option Deed, the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute as a connected transaction of the Company, which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The SGM is convened for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement).

Pursuant to the Listing Rules, DTXS International Holdings, Mr. Lu and their respective associates, who are Shareholders, will be required to abstain from voting on the relevant resolution(s) at the SGM approving the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi, has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement) taking into account that all or part of which may be put back to the Controlling Shareholder upon the exercise of the Put Option, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote at the forthcoming SGM taking into account the advice of the Independent Financial Adviser.

OUR INDEPENDENCE

We, First Shanghai Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Subscription Agreement), and to make recommendations as to, among others, whether the terms of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Subscription Agreement) are fair and reasonable and as to voting in respect of the resolution(s) at the SGM. Our appointment has been approved by the Independent Board Committee.

We are not connected with the Directors, chief executives and substantial Shareholders or any of their respective subsidiaries or associates and are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management, for which they are solely responsible for, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular while the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations while the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Subscription Agreement), we have taken into account the following principal factors and reasons:

1. Background of the Group

The Company is an investment holding company incorporated in Bermuda with limited liability and is principally engaged with its subsidiaries in (i) auction business and arts and collections related business; (ii) e-Commerce, including making and sales of wine; and (iii) marine, construction and structural steel engineering and related services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group, focusing on the development in the cultural industry, endeavors to leverage on the business network of the parent group, in particular, in the arts and cultural industry, to expand and develop the operation of cultural artworks auction, international artwork trading platform (the eight service centers), cultural industrial parks and cultural tourism. With reference to the announcement of the Company dated 28 June 2019 (the “**Proposed Acquisition Announcement**”), the Company has entered into the heads of agreement with the immediate holding company of the Controlling Shareholder in relation to a proposed acquisition which will enable the Group to participate in the development of a comprehensive Silk Road International Cultural Center that features all-round cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex in Xi’an of the PRC (the “**Xi’an Cultural Project**”).

2. Financial information on the Group

Overview

The Group has recorded net losses for the past few financial years. For the financial year ended 31 December (the “**FY(s)**”) 2018, the Group had recorded a net loss attributable to owners of the Company of approximately HK\$126.9 million. The Group’s net losses over the years were principally attributable to the Group’s restructuring of operations. The Group had incurred operating cash outflows for the past three FYs from the FY 2016 to 2018. Despite the fact that the Group had been loss making for at the past three FYs from the FY 2016 to 2018 and had operating cash outflow positions for the past three FYs from the FY 2016 to 2018, the Group had a relatively stronger net current asset position as at 31 December 2018. The Group also had relatively lower gearing positions in recent years, mainly because of its strong balance sheet position so as not to rely on external financing to support its business expansion.

Review of operating performance

Set out below is a summary of the audited consolidated financial information of the Group for each of the two FYs 2017 and 2018 as extracted from the annual report of the Company for the FY 2018 (the “**Annual Report**”):

	For the FY	
	2017	2018
	(Audited)	(Audited)
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue from continuing operations	168,316	149,833
Loss from operations	(65,072)	(106,740)
Loss before taxation	(67,824)	(109,034)
Net loss for the year	(64,790)	(128,906)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the FY 2018 versus FY 2017

The Group's revenue from continuing operations recorded approximately HK\$149.8 million for the FY 2018 (FY 2017: approximately HK\$168.3 million), representing a decrease of approximately 11.0% as compared with that of FY 2017, which was mainly due to the decrease in revenue from the provision of marine engineering services, provision of auction and related services and sale of vessels.

Loss was approximately HK\$128.9 million for the FY 2018 (FY 2017: approximately HK\$64.8 million), representing an increase by approximately 99.0% as compared with that of FY 2017.

Review of financial positions

Set out below is the summary of the audited consolidated financial positions of the Group as at 31 December 2017 and 2018 as extracted from the Annual Report.

	As at 31 December	
	2017	2018
	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	540,799	409,080
Current assets	404,063	420,616
Total assets	944,862	829,696
Non-current liabilities	(36,348)	(22,992)
Current liabilities	(96,734)	(140,842)
Total liabilities	(133,082)	(163,834)
Total equity	811,780	665,862
Equity attributable to owners of the Company (i.e. also known as net asset value of the Group)	796,602	656,325
Bank balances and cash	72,914	54,437
Net current assets	307,329	279,774
Current ratio	4.2 times	3.0 times
Gearing ratio	4.8%	8.5%
Net cash used in operating activities	(209,976)	(41,971)
Net cash (used in)/from investing activities	(16,686)	7,052
Net cash from financing activities	27,716	16,471

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2018 versus 31 December 2017

As at 31 December 2018, the Group had current assets of approximately HK\$420.6 million (2017: approximately HK\$404.1 million), and current liabilities of approximately HK\$140.8 million (2017: approximately HK\$96.7 million), representing a net current asset position and current ratio of approximately HK\$279.8 million (2017: approximately HK\$307.3 million) and approximately 3.0 times (2017: approximately 4.2 times), respectively. The Group's current ratio was well above 1.0 times as at 31 December 2017 and 2018, indicating that the Group's liquidity was healthy. As at 31 December 2018, the Group had bank balances and cash of approximately HK\$54.4 million (2017: approximately HK\$72.9 million).

The Group's total borrowings amounted to approximately HK\$55.9 million as at 31 December 2018 (2017: approximately HK\$38.1 million). The Group's gearing ratio as at 31 December 2018 accounted for approximately 8.5% (2017: approximately 4.8%), which is calculated as a percentage of total borrowings over net asset value of the Group as at 31 December 2017 and 2018. The increase in the gearing ratio of the Group as at 31 December 2018 was mainly due to the increase in total borrowings by approximately HK\$17.8 million whilst the Group's net asset value decreased by approximately HK\$140.3 million mainly due to the net loss of approximately HK\$126.9 million incurred for the FY 2018. However, the Group's gearing ratio can be regarded as low and healthy over the two year end dates.

Outlook and prospects

As mentioned in the Annual Report, the Management believes that the FY 2019 will be full of uncertainties, such as the hiking of US interest rates and the slow-down of global growth as well as geo-political tensions. Also, as Chinese government declined the estimated GDP growth to 6% in 2019, it is expected to be a challenging year.

In the FY 2019, the Group has been focusing on its development strategy and prompting high-quality development through reform and looking for additional development opportunities with a view to creating synergy among its divisions. Furthermore, the Group will be actively exploring and capturing opportunities from its controlling shareholders of the Company through promotion on Silk Road and work closely with Silk Road Chamber of International Commerce. The Management shall continue to leverage on the controlling shareholders of the Company business network and capture growth opportunities. This includes partnering with the controlling shareholders of the Company and/or further acquiring assets with cultural elements from the controlling shareholders of the Company.

Conclusion

Having considered that (i) the Group had recorded net losses attributable to owners of the Company for the past three FYs from the FY 2016 to 2018; (ii) the Group had incurred operating cash outflows for the past three FYs from the FY 2016 to 2018; and (iii) the uncertain and challenging business environment all over the world including the PRC, despite of its (a) relatively stronger net current asset position as at 31 December 2018; and (b) relatively lower gearing positions in the recent years because of its persistent healthier balance sheet positions, we consider that it is justifiable for the Group to implement an equity fund-raising exercise to better equip itself for capturing possible business development opportunity, overcoming the unexpected deteriorating business environment and further strengthening its financial position for financing its business expansion from time to time.

3. Background of the Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of New World Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0017), which together with its subsidiaries (“**NWD Group**”) is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

In recent years, NWD Group has actively promoted the clusters related to the property ecosystem, and through various forms of services and cross-sectors cooperation, to enhance customer experience and loyalty, and to achieve sustainable synergies with the core business.

4. Reasons for the issue of Subscription Shares and use of proceeds

As mentioned in the “Letter from the Board” of the Circular, based on the common business interest of the Company and the Subscriber, the Subscription represents a valuable opportunity for the Company to introduce the Subscriber as a strategic Shareholder, which broadening the Company’s platform for cultural development by leveraging on NWD Group’s extensive business development experience and networks in the Greater China, in particular, the cultural industrial parks and international artwork trading platform, creating a synergistic effect in the development of the cultural businesses and bringing a win-win situation both to the Group and the Subscriber. The Group is able to leverage on its own strengths in cultural business, contributing cultural factors to supplement each other, and to develop cultural industrial parks in the PRC, fitting its cultural characteristics collaboratively and seize the opportunities for expansion. The Directors are also of the view that the Subscription can strengthen the financial position of the Company, which provides extra resources to the Group to pursue future development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming the successful Completion, the maximum gross proceeds from the Subscription are expected to be approximately HK\$599.0 million. The net proceeds from the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$597.0 million. The net issue price per Subscription Share from the Subscription will be approximately HK\$5.3693. The Company currently intends to use the net proceeds from the Subscription in the following manner:

- (i) approximately HK\$327.8 million to jointly invest in development of the Xi'an Cultural Project with the controlling shareholders of the Company. As mentioned in the announcement of the Company dated 28 June 2019, the Xi'an Cultural Project has 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 made up of three major areas, namely (i) the headquarter of Silk Road Chamber of International Commerce Tower in western China; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street, with a total gross floor area of approximately 260,000 square meters. The Company considers that the investment in the Xi'an Cultural Project will serve as a driving force for the development of the Group's business in relevant cultural industry. The Company intends to allocate (i) up to approximately HK\$113.6 million for the payment of the consideration for acquisition of the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited as mentioned in the announcement of the Company dated 28 June 2019; and (ii) the remaining balance to further invest in the Xi'an Cultural Project for its construction and development;
- (ii) approximately HK\$200.0 million to further develop and expand the auction business of the Group in the PRC and Hong Kong which is a part of cultural industry and a key segment of the Group; and
- (iii) the remaining balance of approximately HK\$69.2 million will be used for general working capital of the Group and any other investment opportunities which may arise in the foreseeable future.

If the formal agreement for the Xi'an Cultural Project is not materialized, approximately HK\$327.8 million would be used for developing other cultural projects by leveraging on the business network of the controlling shareholders of the Company. As disclosed in the announcement of the Company dated 28 June 2019, the Group has been endeavouring to explore any means of cooperation, focusing on development in the cultural industry by leveraging on the business network and resources of the controlling shareholders of the Company, and to develop businesses around the cultural industries and business similar to finance, including operations and auction of cultural artworks, participation in the international artwork trading platform, investment in cultural industrial parks and the development of experience in cultural tourism.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors (including the independent non-executive Directors but excluding Mr. Lu, Mr. Yang and Mr. Wong Kwok Tung Gordon Allan, who have abstained from voting on the Board resolution(s) for approving the Subscription and the transactions contemplated thereunder) consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed (including the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Subscription Agreement) are in the interests of the Company and the Shareholders as a whole.

Based on our independent review of the Group's financial and cash flow positions, we consider that it is necessary for the Company to implement appropriate fund-raising exercise(s) to improve its financial positions, in particular view of the operating cash outflow positions for the past three FYs from the FY 2016 to 2018. The net proceeds from the Subscription of approximately HK\$597.0 million can replenish and help to certain extent in these regards, though there would be approximately HK\$69.2 million to be retained for general working of the Group after setting aside approximately HK\$527.8 million for business development in the cultural industry.

Other than the Subscription, the Company has also considered the feasibility of other fund-raising methods such as debt financing and other forms of equity financing. For debt financing, the Directors considered that it will incur further interest burden on the Group. Due to the increasing trend of the interest rate in the debt market, it may not be favourable for the Group to obtain additional debt financing in a cost-effective manner and would usually incur heavier interest burden on the Group, in particular view of its loss-making performance for the past three FYs from 2016 to 2018. According to the Annual Report, we note that the Group's finance cost increased by approximately 171.5% from approximately HK\$0.8 million for the FY 2017 to approximately HK\$2.3 million for the FY 2018. Such increase was mainly attributable to the increase in total borrowings of the Group during the FY 2018 when compared with that in the FY 2017. Accordingly, any additional debt financing would burden the financial performance and further deteriorate the financial position of the Group. Therefore, we consider that the issuance of additional debt is not a preferable choice.

The Directors have also considered other ways of equity financing, including pre-emptive equity issue. The Directors are of the view that though both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholding in the Company and at the same time strengthening the capital base of the Company, such fund-raising exercises would be relatively more time-consuming, administratively burdensome and cost-ineffective as compared with any placing and/or subscription of new Shares, because the related fund-raising processes would generally take two to three months to complete whilst the ultimate fund-raising amounts and/or subscription level by existing Shareholders may be uncertain due to the prevailing sluggish market atmosphere. Given the Group's loss-making performance and operating cash outflow positions, the Directors regard that the Subscription, as a relatively more timely sources of funding to the Group, is a more preferable method of fund-raising for the Group. We concur with the Directors' view that equity financing is

a more prudent way when considering fund-raising. Based on the above, together with the benefits of the Subscriber becoming the second largest Shareholder and strategic partner to the Group, we concur with the view of the Management that the issue of the Subscription Shares is appropriate and beneficial to the Company.

As advised by the Company, upon the request of the Subscriber, the Controlling Shareholder has agreed to enter into the Put Option Deed to facilitate the Subscriber for proceeding with the Subscription. In consideration of the Subscriber's entering into of the Subscription Agreement, the Controlling Shareholder irrevocably granted to the Subscriber the Put Option entitling the Subscriber to require the Controlling Shareholder to purchase from the Subscriber the Option Shares at the Option Price in accordance with the Put Option Deed. It is one of the conditions precedent to the Completion that the Put Option Deed be entered into by the Subscriber, the Controlling Shareholder and Mr. Lu. If the Put Option Deed is not entered into by the relevant parties thereto, the Subscription Agreement will not become unconditional and the Subscription of the Subscription Shares by the Subscriber will not proceed. Having considered that (i) the possible benefits of the Subscription Agreement; and (ii) the Put Option Deed and the exercise of the Put Option would not bring any material adverse impact to the financial condition of the Group, we are of the view that the Put Option Deed is in the interests of the Company and the Shareholders as a whole.

Having considered (i) the above reasons behind for the Subscription to raise additional equity-funding for capturing possible business development opportunities; (ii) the Subscription represents a valuable opportunity for the Company to introduce the Subscriber as a strategic Shareholder; (iii) the Subscription could save financial arrangement fee and interest costs on borrowings, and is more cost-effective and time saving as compared with other forms of equity financing; (iv) the issue of the Subscription Shares would enhance the capital base of the Company and provide more financial resources to the Group; (v) the issue of the Subscription Shares is an appropriate means to raise fund for the Company; and (vi) the entering into of the Put Option Deed by the relevant parties is one of the conditions precedent to the Completion, we are of the view that the Subscription is not conducted in the ordinary and usual course of business of the Group, because it shall be regarded as corporate financing activity instead of its usual operating activity; but the terms of the Subscription Agreement in conjunction with the Put Option Deed are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

5. Principal terms and conditions of the Subscription Agreement

The Subscription Agreement

On 16 July 2019, the Company and the Subscriber entered into the Subscription Agreement under which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for 111,187,538 new Shares at the Subscription Price of HK\$5.3873 per Subscription Share. The principal terms of the Subscription Agreement are summarized as below.

Subscription Shares

The Subscriber conditionally agreed to subscribe for 111,187,538 Subscription Shares, representing (i) approximately 20.00% of the existing issued share capital of the Company; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the allotment and issue of the Subscription Shares) between the Latest Practicable Date and the date of the Completion.

Lock-up undertakings

During the period commencing on the date of the Subscription Agreement and ending on the date that is six (6) months after the date of Completion (both days inclusive) (the “**Lock-up Period**”), the Company has undertaken to the Subscriber not to, and to procure each of the other company of the Group not to, without the prior written consent of the Subscriber and unless in compliance with the requirements of the Listing Rules and applicable Laws:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable, with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to

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purchase, any Shares or other securities of the Company or any shares or other securities of such other company of the Group, as applicable or any interest in any of the foregoing); or

- (c) enter into any transaction with the same economic effect as any transaction specified as the above (a) or (b); or
- (d) offer to or agree to or announce any intention to effect any transaction specified in the above (a), (b) or (c),

in each case, whether any of the transactions specified in the above (a), (b) or (c) is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other company of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the Lock-up Period). Please refer to the “Letter from the Board” of the Circular for further details of the lock-up undertakings.

We consider that the aforesaid lock-up undertakings could protect the Subscriber’s shareholding interests in the Company not to be diluted during the Lock-up Period. Based on our understanding from the Management, having successfully obtained the net proceeds from the Subscription of approximately HK\$597.0 million which accounts for approximately 91.0% of the net asset value of the Group as at 31 December 2018 whilst the Company shall not have imminent fund-raising need in the near future, we consider that the lock-up undertakings for six months after the date of the Completion would not adversely affect the business operation and financial position of the Group, and therefore would never be detrimental to the interests of the Company and the Shareholders as a whole. Taking into account the fact that the lock-up undertakings are part and parcel of the whole arrangement under the Subscription, we consider that the Subscription together with all the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, on the basis that the Company originally would never consider to conduct any equity-financing exercise during the Lock-up Period.

Right of first refusal

The Company agrees that immediately following expiry of the Lock-up Period and for a period of 18 months thereafter, for so long as the Subscriber holds any Shares, the Company will not allot, issue or grant any Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares (“**New Securities**”) to any person unless the Company has in the first instance offered such New Securities to the Subscriber on the same terms and at the same price as those New Securities are being offered to other persons on a *pari passu* and pro rata basis to the number of the Shares held by the Subscriber at that time. Such offer shall be in writing, be open for acceptance from the date of the offer to the 10th Business Day

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immediately following the date of the offer (inclusive) (the “**Acceptance Period**”) and give details of the number and subscription price of the New Securities. Please refer to the “Letter from the Board” of the Circular for further details.

Upon the Completion, the Subscriber will become a substantial shareholder of the Company and thus a connected person of the Company. Therefore, upon the exercise of the right of first refusal, the Company will comply with all the requirements under Chapter 14A of the Listing Rules, if applicable. Given the right of first refusal, the Subscriber will have material interest in capital activities of the Company that may potentially give rise to an opportunity that the Subscriber may exercise the right of first refusal. The Company understands that the Subscriber will abstain from voting on resolution(s) at general meeting(s) of the Company that may give rise to the exercise of the right of first refusal.

The Directors are of the view that the above undertakings of Lock-up Period and right of first refusal are fair and reasonable and in the interests of the Company and the Shareholders as a whole on the following bases:

- (i) the Subscription, together with the above undertakings as a whole, provides timely source of funding for the Group’s business development in the cultural industry with the benefits of forming a strategic partnership with NWD Group which is in the interests of the Company and the Shareholders;
- (ii) after taking into account the financial resources available to the Group including internally generated funds and the estimated net proceeds from the Subscription, the Company, subject to the successful Completion, currently has no other fund raising plans in the next six months for its business development; and
- (iii) the Directors consider that the undertaking of right of first refusal period of 18 months following expiry of the Lock-up Period proposed by the Subscriber indicates its confidence on the Group’s business development in cultural industry and the close cooperation between the Group and NWD Group in long term. Nevertheless, upon the Completion, the Subscriber will become a connected person of the Company under the Listing Rules. The operation of the above undertaking of right of first refusal for any New Securities will be subject to compliance with the requirements of the Listing Rules in relation to connected transactions, including but not limited to approval by the independent Shareholders, if applicable.

We consider that the right of first refusal is to offer the right to the Subscriber to subscribe for any New Securities on the same terms and at the same price as those New Securities are being offered to other persons on a *pari passu* and pro rata basis to the number of the Shares held by the Subscriber at that time, which is similar to pre-emptive right generally offered to existing shareholders of a company to subscribe for new shares and/or receive disposal shares by any other

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existing shareholders thereof, and fair and equitable between the Subscriber and the Company, and would never be prejudicial/detrimental to the interests of the Shareholders.

Conditions to the Subscription

The Completion shall be conditional upon fulfilment of the following major conditions:

- (i) the Listing Committee having granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber reasonably objects) listing of, and permission to deal in, the Subscription Shares and the Listing Committee not having withdrawn or revoked such listing and permission on or before the Completion;
- (ii) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement to the date of the Completion, save for any temporary trading halt or suspension in trading for no longer than three (3) consecutive trading days (or such longer period as the Subscriber may agree in writing), and there being no indication from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time before or after the Completion, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise;
- (iii) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the SGM to be held and convened of resolution(s) to approve the Subscription Agreement, the Put Option Deed and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares; and
- (iv) the Put Option Deed being executed and delivered by the Grantor, the Subscriber and the Guarantor thereto, the obligations of DTXS International Holdings thereunder having become and remaining unconditional in accordance with its terms (save for any condition therein relating to the Subscription Agreement having become and remaining unconditional), and the Put Option Deed not having been terminated in accordance with its terms or otherwise, prior to the Completion.

Please refer to the “Letter from the Board” of the Circular for other conditions precedent to the Completion.

As at the Latest Practicable Date, none of the above conditions precedent to the Subscription had been fulfilled.

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We consider that the conditions precedent to the Subscription are not unusual in all material respects.

Completion of the Subscription

Completion is expected to take place on the third Business Days after all the conditions precedent to the Completion have been fulfilled or waived (or such later date as the Company and the Subscriber may agree in writing).

Specific Mandate to issue the Subscription Shares

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM to allot and issue the Subscription Shares.

The Subscription Price

To assess the fairness and reasonableness of the Subscription Price at HK\$5.3873 per Subscription Share, we set out the following analyses for illustrative purpose:

	Price/value per Share approximately HK\$	Premium/ (discount) over/to at approximately %
(i) The closing price as quoted on the Stock Exchange on 15 July 2019, being the last trading day prior to the Company's announcement dated 16 July 2019 (the "Last Trading Day")	6.560	(17.88)
(ii) The average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day	6.338	(15.00)
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day	6.001	(10.23)
(iv) Average of the closing prices of the Shares as quoted on the Stock Exchange for the trading period of the Shares with 12 complete calendar months from 1 July 2018 up to and including the Last Trading Day (the "Review Period")	3.990	35.02
(v) The Group's audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2018 (based on the audited net asset value of approximately HK\$656,325,000 and the then 555,937,692 issued Shares as at 31 December 2018, being the date to which the latest audited financial results of the Group were made up)	1.181	356.16
(vi) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	5.300	1.65

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The Subscription Price of HK\$5.3873 per Subscription Share was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares and the recent market conditions. The Directors (including the independent non-executive Directors but excluding Mr. Lu, Mr. Yang and Mr. Wong Kwok Tung Gordon Allan, who have abstained from voting on the Board resolution(s) for approving the Subscription and the transactions contemplated thereunder) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable, in normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Historical price performance of the Shares

Solely for illustration purposes, we consider that it is relevant to compare the closing price level of the Shares traded on the Stock Exchange during the Review Period against the Subscription Price. We consider that the Review Period represents a reasonable timeframe that covers the recent trend of the Share price reflecting the Company's fundamental financial performance and the business cycle in the corresponding period to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Subscription Price. The historical performance of the Share price for the Review Period is as follow:

	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$	Number of trading days in each month
2018				
July	4.230	4.040	4.138	21
August	4.100	3.960	3.997	23
September	4.030	3.950	3.984	19
October	4.080	3.910	3.980	21
November	4.020	3.880	3.968	22
December	4.030	3.880	3.967	19
2019				
January	3.930	3.780	3.848	22
February	4.000	3.770	3.852	17
March	3.800	3.630	3.716	21
April	3.900	3.560	3.709	19
May	3.940	3.750	3.853	21
June	3.920	3.780	3.850	19
July (up to and including the Last Trading Day)	6.560	5.200	6.001	10

Source: the website of the Stock Exchange (www.hkex.com.hk)

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During the Review Period, the lowest and highest closing price of the Shares during the Review Period were HK\$3.56 per Share recorded on 11 April 2019 and HK\$6.56 per Share recorded on 15 July 2019, respectively, as quoted on the Stock Exchange. The average daily closing price of the Shares during the entire Review Period was HK\$3.99 per Share. The Subscription Price of HK\$5.3873 per Subscription Share represents (i) a premium of approximately 51.3% over the lowest closing price; (ii) a discount of approximately 17.9% to the highest closing price; and (iii) a premium of approximately 35.0% over the average daily closing price during the entire Review Period.

During the period from 1 July 2018 to 30 June 2019, the closing prices of the Shares had at most of the material times been hovering at around HK\$4.00 per Share with average closing Share price of HK\$3.91 per Share during such period of time, which merely started to upsurge at above HK\$5.00 per Share since 2 July 2019. During the 10 trading days from 1 July 2019 to 15 July 2019, the closing price of the Shares had gradually increased from HK\$5.20 per Share on 2 July 2019 to HK\$6.56 per Share on 15 July 2019. In this regard, the Shares appear to be trading at prices far below the Subscription Price for such period of time. As at the Last Trading Day, the closing price of the Shares was HK\$6.56 per Share, which was the highest closing price of the Shares throughout the Review Period, representing 21.8% over the Subscription Price of HK\$5.3873 per Subscription Share.

In view of the fluctuation in the Share price of the Group during the Review Period, we have enquired with the Directors regarding the possible reasons and were advised that, except for the Proposed Acquisition Announcement and the positive profit alert announcement dated 4 July 2019 (the “**Profit Alert**”), they were not aware of any particular matters which might have material impact on the Share price. Since the Group has been loss-making for the past three FYs from the FY 2016 to 2018, the Directors believe that the Proposed Acquisition Announcement and the Profit Alert had possibly affected the Share price thereafter, so which had been upsurge above HK\$5.00 per Share since July 2019 with the highest closing price per Share of HK\$6.56 on 15 July 2019. Based on our independent research from the Stock Exchange’s website, other than the Company’s respective (i) routine Annual Report for FY2018 and interim report for the six months ended 30 June 2018; (ii) announcements in respect of certain non-sizeable acquisition and disposal transactions; and (iii) the Proposed Acquisition Announcement and the Profit Alert, we are not aware of any other public announcements made by the Company that were price sensitive in nature.

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Historical trading volume of the Shares

The average daily number of Shares traded per month, the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares as at the Last Trading Day; and (ii) the total number of issued Shares held by the public as at the Last Trading Day for each month during the Review Period, are tabulated as follows:

	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day during the month	% of average daily trading volume of the Shares to the average total issued Shares (Note 1)	% of average daily trading volume of the Shares to average public float Shares (Note 2)	Number of trading days in each month
2018					
July	5,709,600	271,886	0.05%	0.15%	21
August	4,339,432	188,671	0.03%	0.11%	23
September	7,336,494	386,131	0.07%	0.22%	19
October	7,198,410	342,781	0.06%	0.19%	21
November	9,026,280	410,285	0.07%	0.23%	22
December	5,923,620	311,769	0.06%	0.18%	19
2019					
January	7,988,049	363,093	0.07%	0.20%	22
February	4,410,400	259,435	0.05%	0.15%	17
March	5,072,820	241,563	0.04%	0.14%	21
April	5,690,850	299,518	0.05%	0.17%	19
May	5,967,157	284,150	0.05%	0.16%	21
June	4,490,266	236,330	0.04%	0.13%	19
July (up to and including the Last Trading Day)	17,438,577	1,743,858	0.31%	0.98%	10

Notes:

1. Based on 555,937,692 Shares throughout the Review Period and up to the Last Trading Day.
2. Based on 177,344,956 Shares throughout the Review Period and up to the Last Trading Day, after excluding the aggregate of 378,592,736 Shares held by DTXS International Holdings and parties acting in concert with it.

Source: the website of the Stock Exchange (www.hkex.com.hk)

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The percentage of average daily trading volume of the Shares per month to the average total issued Shares during the Review Period was ranging from approximately 0.03% to 0.31%, while the average daily trading volume of the Shares had accounted for merely 0.06% of the total number of the issued Shares throughout the Review Period. If only those Shares held by public Shareholders, i.e. the public float, are considered in calculating the percentage of average daily trading volume of the Shares per month during the Review Period, the percentage was ranging from approximately 0.11% to 0.98%. Except for the Proposed Acquisition Announcement and the Profit Alert as mentioned above, the Directors are not aware of any particular events and/or public announcements which might materially affect the fluctuation of trading price and volume of the Shares during the Review Period. We considered that the average daily trading volume of the Shares per month were extremely thin during the Review Period, because the average trading volume of the Shares merely accounted for approximately 0.06% of the total number of issued Shares.

We are aware of that the Subscription Price represents considerable discounts to the recent market prices of the Shares and might be seen to be prejudicial to the interests of the Company and the Shareholders as a whole. However, we consider that the discounts are justifiable taking into account the facts that (i) the Group's loss-making performance for the past three FYs from the FY 2016 to 2018; (ii) the Group had incurred operating cash outflows for the past three FYs from the FY 2016 to 2018; and (iii) the Subscription Price of HK\$5.3873 per Subscription Share is far above the average closing prices of the Shares of HK\$3.990 during the entire Review Period. Also given the extremely low liquidity of the Shares as detailed in the section headed "Historical trading volume of the Shares" above, we consider that the prevailing market price of the Shares might not truly reflect the value of the Shares, and might also be seen to be abnormal and unrealistic, on the basis that the closing price of the Shares on the Last Trading Day at HK\$6.56 would imply a price-to-book ratio ("**P/B Ratio**") of about 5.6 times based on the net asset value per Share at approximately HK\$1.181 as at 31 December 2018, which is far above the overall average P/B Ratio of all listed companies on the Stock Exchange at around 2.2 times as at 15 July 2019.

Based on our independent review of (i) the historical price performance and trading volume of the Shares during the Review Period; (ii) the Group's audited net asset value of approximately HK\$1.181 per Share as at 31 December 2018; (iii) the Group's loss-making performance over the past three FYs from the FY 2016 to 2018; and (iv) its current relatively higher closing Share price level throughout the Review Period, we are of the view that the Board's basis in determining the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Comparison of recent issues of placing and/or subscription shares by other listed issuers under specific mandates

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced placing and/or subscription of new shares by using specific mandates during the last three complete calendar months commencing from 1 April 2019 up to the Last Trading Day, as we consider that three complete calendar months are appropriate benchmarks to reflect the recent market sentiment and the risk appetite of the investment community and the adopted time span can cover sufficient number of comparable placements or subscriptions to reflect the prevailing market trend.

Based on the above said criteria, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 15 comparable transactions which involve all placing and/or subscription of new shares using specific mandates (the "Comparable Issues"). It should be noted that the Comparable Issues may have different principal businesses, market capitalisation, profitability and financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding and usual market practice of the pricing for this similar type of transaction in Hong Kong under the current market environment, we consider all of them to be relevant in assessing the fairness and reasonableness of the Subscription Price, irrespective of their respective market capitalisation and fund-raising size on the grounds that the Comparable Issues have their own business nature and prospects, profitability, financial positions, market capitalisation and funding needs/raising size etc., all of such background factors may not be closely correlated with each others; whilst different size of market capitalisation of listed issuers would not directly affect the terms of placing and/or subscription activities in the market, and selecting samples by market capitalisation and/or fund-raising size only may distort this analysis or even mislead the Independent Shareholders because such short-listed information may not be able to present a complete, comprehensive and representative picture or analysis of all the equity fund-raising exercises completed by all listed issuers on the Stock Exchange during the period for our analysis. For each of the 15 Comparable Issues identified, we have compared the premium/(discount) of its issue price/placing price/subscription price over/(to) (i)

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the respective closing price on the last trading day; and (ii) the average closing price for the last five consecutive trading days prior to the date of the corresponding announcement summarized in the following table:

Date of announcement	Company name (Stock Code)	Subscription/placing	Subscription/placing price HK\$	Fund-raising size HK\$' million	Premium/(discount) over/ to the average trading price during the Review Period %	Premium/(discount) over/ to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement %	Premium/(discount) over/ to the average closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement %
10/7/2019	Glory Sun Financial Group Limited (1282)	Subscription	0.25	1,000.0	(33.19)	(19.35)	(21.88)
1/7/2019	Value Convergence Holdings Limited (821)	Subscription	0.45	99.0	(35.17)	(18.18)	(16.67)
30/6/2019	FDG Electric Vehicles Limited (729)	Subscription	0.27	110.3	281.54	(10.00)	(10.06)
20/6/2019	Shengjing Bank Co., Ltd. (2066)	Subscription	6.82	20,400.0	63.85	37.19	31.12
5/6/2019	Royale Furniture Holdings Limited (1198)	Subscription	1.02	441.8	16.06	6.25	5.15
5/6/2019	China Singyes Solar Technologies Holdings Limited (750)	Subscription	0.92	1,552.0	(50.41)	(7.07)	(6.50)
28/5/2019	Common Splendor International Health Industry Group Limited (286)	Subscription and placing	0.40	200.0	(38.61)	(20.00)	(20.32)
23/5/2019	Alibaba Health Information Technology Limited (241)	Subscription	7.50	2,272.3	(1.96)	(2.34)	(4.21)
14/5/2019	Jiangsu Nandasoft Technology Company Limited (8045)	Placing	0.12	360.0	(1.05)	(3.23)	7.14
9/5/2019	Guangdong Aday Construction (Group) Holdings Company Limited (6189)	Subscription	7.19	90.5	(3.29)	(2.17)	(2.86)
6/5/2019	CSmall Group Limited (1815)	Subscription	1.50	150.0	35.23	76.47	65.56
2/5/2019	ZH International Holdings Limited (185)	Subscription	0.38	1,564.8	34.69	11.76	7.34
26/4/2019	Elife Holdings Limited (223)	Subscription	0.188	50.0	17.46	8.05	0.00
16/4/2019	Pearl Oriental Oil Limited (632)	Subscription	0.02	180.0	(98.94)	(83.61)	(83.05)
15/4/2019	Chong Kin Group Holdings Limited (1609)	Subscription	3.50	210.0	(12.49)	(7.89)	(10.03)
	15 Comparable Issues	}	Maximum	20,400.0	281.54	76.47	65.56
			Average	1,912.1	11.57	(2.27)	(3.95)
			Median	210.0	(1.96)	(3.23)	(4.21)
			Minimum	50.0	(98.94)	(83.61)	(83.05)
	13 out of the 15 Comparable Issues	}	Maximum	20,400.0	281.54	37.19	31.12
			Average	2,180.8	18.26	(2.08)	(3.21)
			Median	360.0	(1.96)	(3.23)	(4.21)
			Minimum	50.0	(50.41)	(20.00)	(21.88)
16/7/2019	DTXS Silk Road Investment Holdings Company Limited (620)	Subscription	5.3873	599.0	35.02	(17.88)	(15.00)

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Note: We have noted that there are two very extreme cases out of the 15 Comparable Issues, namely Pearl Oriental Oil Limited (Stock Code: 632) and CS Mall Group Limited (Stock Code: 1815), with abnormally higher premium or deeper discount. For illustrative purposes only, the figures are calculated by excluding such two abnormal Comparable Issues.

Source: the Stock Exchange's website at www.hkex.com.hk

As indicated in the above table setting out the issue statistics of the Comparable Issues, we noted the following scenario:

- (i) the discount of approximately 17.88% represented by the Subscription Price to the closing price on the Last Trading Day falls within the range of premiums/discounts represented by the 15 Comparable Issues on the relevant last trading days and above the average discount of approximately 2.27% thereof, which ranges very widely from a discount of approximately 83.61% to a premium of approximately 76.47%; and
- (ii) the discount of approximately 15.00% represented by the Subscription Price to the 5-day average closing price for the last five consecutive trading days up to and including the last trading day falls within the range of premiums/discounts represented by 5-day average closing prices of the 15 Comparable Issues on the relevant last five consecutive trading days and also above the average discount of approximately 3.95% thereof, which also ranges very widely from a discount of approximately 83.05% to a premium of approximately 65.56%.

Based on our findings from above analysis, we have noted that there are two very extreme cases out of the 15 Comparable Issues, namely Pearl Oriental Oil Limited (Stock Code: 632) and CS Mall Group Limited (Stock Code: 1815), with abnormally higher premium or deeper discount. By excluding such two extreme Comparable Issues from the above analysis, we can still maintain our view that the considerable discounts of approximately 17.88% and 15.00%, as the case maybe, represented by the Subscription Price to the closing price on the Last Trading Day and the Subscription Price to the average closing prices for the last five consecutive trading days up to and including the Last Trading Day respectively, fall within the range of premiums/discounts represented by the 13 Comparable Issues on the relevant last trading days, which ranges from a discount of approximately 20.00% to a premium of approximately 37.19%, with median and average discounts ranging from 3.23% to 2.08% which are also very close to the above table of analysis with 15 Comparable Issues.

Based on the above different scenarios, we are of the view that it shall be justifiable, fair and reasonable for the Subscription to offer deeper discounts to the closing price of the Shares when compared to the average and median discounts of the Comparable Issues, in particular view of that (i) the closing prices of the Shares had at most of the material times been hovering at around HK\$4.0

per Share during the Review Period with average closing Share price of HK\$3.91 per Share during the period from 1 July 2018 to 30 June 2019, which merely had started to upsurge at above HK\$5.0 per Share since 2 July 2019 and reached the highest price level at HK\$6.56 per Share on the Last Trading Day; (ii) the Group's loss-making performance over the past three FYs from the FY 2016 to 2018; and (iii) the Group had incurred operating cash outflows for the past three FYs from the FY 2016 to 2018.

Having considered the above analysis and further taken into account (i) the Subscription Price of HK\$5.3873 per Subscription Share represents a significant premium of approximately 356.16% over the audited net asset value per Share of approximately HK\$1.181 per Share as at 31 December 2018; (ii) the Subscription Price of HK\$5.3873 per Subscription Share represented a considerable premium of approximately 35.02% over the average of the closing price of the Shares of HK\$3.990 during the entire Review Period, we consider that the basis for determination of the Subscription Price is commercially justifiable, and the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

6. Principal terms of Put Option pursuant to the Put Option Deed

In connection with the Subscription Agreement, on 16 July 2019, DTXS International Holdings as the Grantor, the Subscriber as the grantee and Mr. Lu as the Guarantor entered into the Put Option Deed pursuant to which the Grantor has granted the Put Option to the Subscriber. The principal terms of the Put Option Deed are summarized as below.

Information on the parties to the Put Option Deed

The Grantor, namely DTXS International Holdings, is a company incorporated in the British Virgin Islands and is engaged in investment holding. DTXS International Holdings is a wholly-owned subsidiary of Da Tang Xi Shi International Group Limited and the immediate holding company of the Company.

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of New World Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0017). NWD Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, services and technology.

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The Guarantor, namely Mr. Lu, who is the chairman, the executive Director and the ultimate Controlling Shareholder.

Put Option

The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the Option Shares in accordance with the terms set out in the Put Option Deed.

Option Period

The put option period (the “**Option Period**”) means a period of three (3) months commencing from the first day of the 25th month from the date of the Completion and expiring on the last day of the 27th month from the date of the Completion (both days inclusive).

Option Price

The Subscriber shall sell and the Grantor shall purchase all or part of the Option Shares at the Option Price based on the below formula and less any cash dividend entitlements in respect of each Share declared, or recommended or resolved to be paid or made by the Company where the record date therefor falls within the period commencing from (and including) the date of the Completion until (and including) the day before the settlement date of the Put Option in respect of such relevant Option Shares:

$$\frac{A}{B} \times 1.25 \times C$$

- A = amount equal to the sum of (i) the aggregate consideration paid by the Subscriber for all the Subscription Shares held at that time and (ii) the aggregate consideration paid by the Subscriber for all Shares and other securities of the Company acquired by the Subscriber pursuant to any Reorganisation event under the Put Option Deed for all the Option Shares held at that time
- B = number of all Option Shares held at that time
- C = number of relevant Option Shares to be sold by the Subscriber to the Grantor as specified in the relevant option exercise notice

Exercise of the Put Option

The Put Option may be exercised by the Subscriber at any time and from time to time during the Option Period, by the delivery of the option exercise notice to the Grantor. The option exercise notice cannot be revoked or withdrawn once served on the Grantor. If the option exercise notice is not served within the Option Period, the Put Option shall lapse and be of no further effect and the Put Option Deed shall forthwith terminate and cease to be of effect (except for certain clauses relating to indemnity, general, term and termination, confidentiality, notices and other communications, governing law and jurisdiction, process agent and waiver of immunity under the Put Option Deed) and save as aforesaid or in respect of any antecedent breaches, none of the Subscriber, the Grantor and the Guarantor to the Put Option Deed shall have any further liability under or pursuant to the provisions of the Put Option Deed.

The Grantor irrevocably grants to the Subscriber an option, but not the obligation, to require the Grantor to purchase or procure the purchase of all or part of the Option Shares (the “**Triggered Put Option**”) which option shall be immediately exercisable by the Subscriber at any time and from time to time more than once after the occurrence of any of the events (the “**Triggering Events**”) as fully set out in the “Letter from the Board” of the Circular, during the period of twenty-four (24) months from the date of the Completion, by the delivery of option exercise notice(s) to the Grantor and all the provisions relating to the exercise and completion of the Put Option shall apply to any exercise of the aforementioned option(s).

Assessment of the rationale behind of the Put Options

Assuming the Subscriber does not acquire any new Shares and/or dispose of any Subscription Shares during the period of twenty-four (24) months from the date of the Completion, the Option Price, in substance, would amount to approximately HK\$6.734 (i.e. the Subscription Price of HK\$5.3873 × 125%) per Option Share and represent a slight premium of approximately 2.65% over the closing price of HK\$6.560 per Share as quoted on the Stock Exchange on the Last Trading Day. When assessing the principal terms of the Put Option Deed, we noted that the Option Price and the terms of the Put Option Deed were arrived at after arm’s length negotiations between the parties to the Put Option Deed, while the possible subsequent exercise of the Put Option would have no direct impact to the Group’s business operations, financial position and cash flow position because there would be simply transfer of Shares between the Subscriber and the Controlling Shareholder whilst the Company itself would not be involved there between.

As advised by the Management, upon the request of the Subscriber, the Controlling Shareholder has agreed to enter into the Put Option Deed to facilitate the Subscriber for proceeding with the Subscription Agreement. Considering that (i) the Put Option is granted to the Subscriber to facilitate the entering into of the

Subscription Agreement, which is in the interests of the Company and the Shareholders as a whole; (ii) the Subscriber can put back all or part of the Subscription Shares to the Controlling Shareholder at any time and from time to time during the Option Period, or when any one or more of the Triggering Events would probably occur during the 24 months from the date of Completion and three months thereafter (i.e. the Option Period), we are of the view that the terms of the Put Option Deed are commercially justifiable and the Put Option Deed would never be prejudicial/detrimental to the interests of the Company and the Shareholders as a whole because there would be simply transfer of Shares between the Subscriber and the Controlling Shareholder whilst the Company itself would not be involved there between.

Please also refer to the “Letter from the Board” of the Circular for other terms and conditions of the Put Option Deed.

7. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholding structure and changes of the Company in the “Letter from the Board” of the Circular, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 31.90%. The Subscription Shares to be subscribed by the Subscriber represented 20.00% of the total number of issued Shares as at the Latest Practicable Date, and approximately 16.67% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares. Independent Shareholders should note that the net proceeds from the Subscription of approximately HK\$597.0 million would account for approximately 91.0% of the net asset value of the Group of approximately HK\$656.3 million as at 31 December 2018. On such basis, the shareholding of the existing public Shareholders will be diluted from approximately 31.90% to 26.58% upon the Completion, we consider such dilution impact by 5.32 percentage points in exchange for an increase approximately 91.0% in net asset value of the Group is inevitable but favourable to the Company and the Shareholders as a whole, including the Independent Shareholders, and therefore acceptable.

8. Financial effect of the Subscription and the Put Option Deed on the Group

Earnings

Save for the legal and professional fees/expenses of approximately HK\$2.0 million to be incurred in relation to the Subscription, there will not be any immediate material impact on the earnings of the Group in this regard. Hence, immediately upon the Completion and possible subsequent exercise of the Put Option, there will be no immediate effect on the earnings of the Group.

Working capital

According to the Annual Report, the Group had bank balances and cash of approximately HK\$54.4 million as at 31 December 2018. Upon Completion, the Group's working capital and liquidity positions will be improved as the bank balances and cash will increase by the net proceeds of approximately HK\$597.0 million and HK\$69.2 million to be generated therefrom, before and after setting aside approximately HK\$527.8 million for its business development in the cultural industry, respectively. Accordingly, the cash and liquidity positions, net current assets and current ratio of the Group are expected to be improved upon the Completion. However, the possible subsequent exercise of the Put Option would have no direct impact to the Group's working position because there would be simply transfer of Shares between the Subscriber and the Controlling Shareholder whilst the Company itself would not be involved there between.

Gearing position

Based on the Annual Report, the Group had audited consolidated net asset value, borrowings and bank balances and cash of approximately HK\$656.3 million, HK\$55.9 million and HK\$54.4 million, respectively, as at 31 December 2018, representing a net gearing ratio (i.e. being calculated as a percentage of total borrowings over the net asset value of the Group) of approximately 8.5% thereof. The Directors have expected that, following Completion, the Group's capital base and net asset value would be enhanced, while its gearing level would be improved correspondingly. Nevertheless, the possible subsequent exercise of the Put Option would have no direct impact to the Group's gearing position for the same reason as mentioned above.

Net asset value

According to the Annual Report, the Group had audited consolidated net asset value of approximately HK\$656.3 million as at 31 December 2018, representing a net asset value per Share of approximately HK\$1.181 based on the number of 555,937,692 issued Shares as at the date of the Subscription Agreement. Upon the Completion, the net asset value of the Group will be enhanced by the net proceeds of approximately HK\$597.0 million to be generated from the Subscription; whilst the net asset value per Share shall also increase because the Subscription Price of HK\$5.3873 per Subscription Share is far above the net asset value per Share of HK\$1.181 as at 31 December 2018. However, the possible subsequent exercise of the Put Option would have no direct impact to the Group's working position for the same reason as mentioned above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Subscription shall be regarded as corporate financing activity instead of usual operating activity of the Group while the grant of Put Option is to facilitate the implementation of the Subscription, and therefore is not conducted in its ordinary and usual course of business; but the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve (i) the Subscription pursuant to the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed; and (ii) the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Nicholas Cheng
Director

Note: Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO, and has over 17 years of experience in corporate finance industry. He has participated in the provision of independent financial advisory services for numerous connected transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Interests of Directors and Chief Executives in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the 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 SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(a) *Interests in Shares and underlying Shares*

Name of Director	Number of Shares and nature of interests		Number of underlying Shares held	Number of share options		Approximate percentage of the total number of issued Shares
	<i>Personal interests</i>	<i>Corporate interests</i>		<i>Personal interests</i>	<i>Total</i>	
					<i>(Note 3)</i>	
Mr. Lu	4,996,000	373,596,736 <i>(Note 1)</i>	111,187,538 <i>(Note 2)</i>	3,500,000	493,280,274	88.73%
Mr. Yang	—	—	—	2,500,000	2,500,000	0.45%
Mr. Lai Kim Fung	—	—	—	3,000,000	3,000,000	0.54%
Mr. Wong Kwok Tung						
Gordon Allan	—	—	—	2,500,000	2,500,000	0.45%
Mr. Wang Shi	—	—	—	250,000	250,000	0.04%
Mr. Jean-Guy Carrier	—	—	—	250,000	250,000	0.04%
Mr. Cheng Yuk Wo	—	—	—	250,000	250,000	0.04%
Mr. Tsui Yiu Wa, Alec	—	—	—	250,000	250,000	0.04%
Mr. Tse Yung Hoi	—	—	—	250,000	250,000	0.04%

Notes:

- (1) 373,596,736 Shares were held by DTXS International Holdings. DTXS International Holdings was wholly-owned by Da Tang Xi Shi International Group Limited, which is wholly-owned by DTXS Investment. Mr. Lu being the controlling shareholder of DTXS Investment, is interested in approximately 50.60% of the issued registered capital of DTXS Investment. As such, Mr. Lu was deemed to be interested in 373,596,736 Shares.
- (2) 111,187,538 underlying Shares represent the number of Option Shares (equivalent to the number of the Subscription Shares but excluding the Shares that may be acquired by the subscriber in any Reorganisation event) that may be sold by the Subscriber to the 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.
- (3) the total number of issued Shares was 555,937,692 as at the Latest Practicable Date.

(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	110,000,000	50.60%
Mr. Yang	30,000,000	13.80%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company nor their respective 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.

3. INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as being known to the Directors or chief executive of the Company, the following persons or corporations (other than a Director or chief executives of the Company) had or were deemed or taken interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interests/capacity	Number of Shares interested (Note 1)	Approximate percentage of the total number of issued Shares (Note 13)
DTXS International Holdings (Note 2)	Beneficial owner	484,784,274 (L) (Note 12)	87.20%
Da Tang Xi Shi International Group Limited (Note 2)	Interests in controlled corporation	484,784,274 (L) (Note 12)	87.20%
DTXS Investment (Note 2)	Interests in controlled corporation	484,784,274 (L) (Note 12)	87.20%
Ms. Zhu Ronghua (Note 3)	Interests of spouse	493,280,274 (L)	88.73%
Ion Tech Limited	Beneficial owner	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
Citiplus Investment Limited (Note 4)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
New World Development Company Limited (Note 5)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
Chow Tai Fook Enterprises Limited (Note 6)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
Chow Tai Fook (Holding) Limited (Note 7)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
Chow Tai Fook Capital Limited (Note 8)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
Cheng Yu Tung Family (Holdings II) Limited (Note 9)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%
Cheng Yu Tung Family (Holdings) Limited (Note 10)	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) (Note 11)	20.00%

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 and approximately 13.80% by Mr. Yang.

3. Ms. Zhu Ronghua was deemed to be interested in 493,280,274 shares through the interests held by her spouse, Mr. Lu.
4. 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.
5. 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 was 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. The Subscriber entered into the Subscription Agreement to conditionally subscribe for the Subscription Shares (i.e. 111,187,538 Shares), and in connection therewith, DTXS International Holdings conditionally granted a Put Option to the Subscriber to require DTXS International Holdings to purchase all or part of the Option Shares (i.e. 111,187,538 Shares, subject to any Reorganisation event) pursuant to the Put Option Deed.
12. Comprises 373,596,736 Shares held by DTXS International Holdings and 111,187,538 underlying Shares representing the number of Option Shares (equivalent to the number of the Subscription Shares but excluding the Shares that may be acquired by the Subscriber in any Reorganisation event) that may be sold by the Subscriber to the 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.
13. The total number of issued Shares was 555,937,692 as at the Latest Practicable Date.

4. DIRECTORS’ SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into any existing or proposed service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, nor their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up.

7. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

As (i) Mr. Lu (the chairman of the Company and an executive Director) is also a director and the ultimate controlling shareholder of the Grantor; (ii) Mr. Yang (an executive Director) is also a shareholder and a director of DTXS Investment, being the shareholder of the Grantor; and (iii) Mr. Wong Kwok Tung Gordon Allan (an executive Director and deputy chief executive officer of the Company), is also a director of the Grantor, Mr. Lu, Mr. Yang and Mr. Wong Kwok Tung Gordon Allan have material interests in the transactions contemplated under the Subscription Agreement together with the Put Option Deed. Save as disclosed, there was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested in and which was significant in relation to the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries were engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

9. EXPERT AND CONSENT

The qualification of the expert, who has given opinions and advice in this circular, is as follows:

Name	Qualification
First Shanghai Capital Limited	a licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated under the Subscription Agreement and the Put Option Deed

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters, reports, advice and/or references to its names, in the form and context in which they appear.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

10. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the sale and purchase agreement dated 10 November 2017 entered into between UDL Ventures Limited (a direct wholly owned subsidiary of the Company) and Harbour Front Limited, pursuant to which UDL Ventures Limited agreed to sell, and Harbour Front Limited agreed to purchase the entire equity interest in UDL Ship Holdings Limited, at a total cash consideration of HK\$45,244,000;
- (b) the sale and purchase agreement dated 24 December 2018 entered into between Metallic Icon Limited, DTXS Technologies Limited (an indirect non-wholly owned subsidiary of the Company), Digital Mind Holdings Limited, Mr. Lam Tai Wai Stephen and Mr. Tam Chi Wang, pursuant to which DTXS Technologies

Limited agreed to sell, and Metallic Icon Limited agreed to purchase 85% of the equity interest in Digital Mind Holdings Limited, at a consideration of HK\$48,000,000;

- (c) the sale and purchase agreement dated 31 December 2018 entered into between an Independent Third Party and UDL Ventures Limited (a wholly owned subsidiary of the Company), pursuant to which UDL Ventures Limited agreed to sell, and Independent Third Party agreed to purchase the entire equity interest in UDL Dredging Limited, at a total cash consideration equivalent to approximately HK\$17,369,000;
- (d) a supplemental agreement dated 26 June 2019 entered into between DTXS Auction Limited (an indirect wholly owned subsidiary of the Company), Mr. Zhao Chunan and Ms. An Xinxian to the sale and purchase agreement dated 20 June 2016 relating to the sale and purchase of the entire share capital of China King Sing Lun Fung Auction Holdings Company Limited; and
- (e) the Subscription Agreement.

11. GENERAL

- (a) The company secretary of the Company is Mr. Tang Man Joe;
- (b) The registered office of the Company is situated at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda;
- (c) The head office and principal place of business in Hong Kong of the Company is situated at Room 811–817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong;
- (d) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, located at Level 54, Hopewell Centre, 183 Queens Road East, Hong Kong; and
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday, except the public holiday, at the office of the Company, Room 811–817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong from the date of this circular up to and including the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Subscription Agreement;
- (c) the Put Option Deed;

- (d) the letter from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 59 of this circular;
- (f) the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix I;
- (g) this circular; and
- (h) the annual report of the Company for the year ended 31 December 2018.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of DTXS Silk Road Investment Holdings Company Limited (the “Company”) will be held at Admiralty & The Peak, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 2:30 p.m. on Friday, 23 August 2019 for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 7 August 2019 (the “Circular”):

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the Subscription Agreement dated 16 July 2019 entered into between the Company and the Subscriber in respect of the Subscription for 111,187,538 Shares of HK\$0.50 each in the share capital of the Company by the Subscriber at the Subscription Price of HK\$5.3873 per Subscription Share (a copy of the Subscription Agreement marked “A” and signed by the chairman of the meeting for identification purpose has been tabled at the SGM) be and is hereby approved, confirmed and ratified taking into account of the Put Option Deed (as defined and described in the Circular, a copy of which is marked “B” and signed by the chairman of the SGM for identification purpose has been tabled at the SGM) and the transactions contemplated under the Subscription Agreement and the Put Option Deed be and are hereby approved;
- (b) subject to the Completion, the Directors be and are hereby granted the Specific Mandate to exercise the powers of the Company to allot and issue the Subscription Shares by the Company in accordance with the terms and conditions of the Subscription Agreement be and are hereby approved; and
- (c) any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of

NOTICE OF SPECIAL GENERAL MEETING

giving effect to or in connection with the Subscription Agreement and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as in the Subscription Agreement) as are, in the opinion of such Director, in the interests of the Company and its Shareholders as a whole.”

2. **“THAT:**

- (a) the election of Dr. Cheng Kar-Shun, Henry as a non-executive Director with effect from the date of the Completion be and is hereby approved.”

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

Hong Kong, 7 August 2019

Notes:

1. For determining the entitlement to attend and vote at the meeting, the register of members will be closed from Tuesday, 20 August 2019 to Friday, 23 August 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM to be held on Friday, 23 August 2019, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 2:30 p.m. on Wednesday, 21 August 2019.
2. In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of the Company, voting at the SGM will be conducted by poll and the chairman of the SGM will demand a poll for the resolutions to be proposed at the SGM. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the SGM.
3. Any Shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a Shareholder. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

NOTICE OF SPECIAL GENERAL MEETING

4. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such Shares as if he/she is solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM, whether in person or by proxy, the joint registered Shareholder present whose name stands first on the register of Shareholders in respect of the Shares shall be accepted to the exclusion of the votes of the other joint Shareholders.
5. In order to be valid, the form of proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, must be delivered to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

As at the date of the Notice, the board of Directors of the Company 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 Allan (Deputy Chief Executive Officer); two Non-executive Directors, namely Mr. Wang Shi and Mr. Jean-Guy Carrier; and three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Tsui Yiu Wa, Alec and Mr. Tse Yung Hoi.