大唐西市
DA TANG XI SHI

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)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board wishes to announce that after trading hours on 20 June 2016, the Purchaser entered into the SP Agreement with the Vendors in respect of the Acquisition of the Sale Shares which represents the entire issued share capital of the Target Company. The total Consideration for the Acquisition shall be RMB250.0 million (equivalent to approximately HK$294.8 million) (subject to adjustments as detailed in the below section headed "Consideration for the Acquisition") in the following installment payments:

(a) a cash deposit in the sum of HK$29.6 million (equivalent to RMB25.0 million at the rate of HK$1: RMB0.8446 as at 27 May 2016) has been paid within 5 Business Days from signing of the MOU;

(b) a cash deposit in the sum of RMB25.0 million (equivalent to approximately HK$29.5 million) shall be paid upon signing of the SP Agreement;

(c) RMB100.0 million (equivalent to approximately HK$117.9 million) shall be paid by the Purchaser to the Vendors in cash on the Completion Date; and

(d) RMB100.0 million (equivalent to approximately HK$117.9 million) shall be paid by the Purchaser to the Vendors by issuing 29,481,480 Consideration Shares at the price of HK$4.00 per share on Completion. The Consideration Shares shall be deposited with the Purchaser by way of security and, subject to satisfaction of the Profit Guarantee by the Vendors, be released to the Vendors within 30 days from the date of issuance of the audited report of the consolidated financial statements of the Target Group for the 12-month period ending 30 June 2019.

Completion of the SP Agreement is subject to and conditional upon fulfillment (or waiver, where applicable) of certain conditions precedent as more particularly set out in the section head "Conditions Precedent to the Acquisition" below before the Long Stop Date.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the consolidated financial results of the Target Company will be consolidated into the financial statements of the Company.

The Target Company is an investment holding company incorporated under the BVI laws, which through its wholly-owned subsidiaries and the Structured Contractual Arrangements, is principally engaged in the art and collections auction business in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with new Shares granted to the Directors by a resolution of the Shareholders subject to the limit of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company. Shareholders' approval will not be required for the allotment and issue of the Consideration Shares as the Consideration Shares will be issued under the General Mandate. Application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares.

Completion of the Acquisition is subject to the fulfillment (or waiver) of the conditions precedent under the SP Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 26 May 2016 in relation to, among others, the entering into of the MOU for the Acquisition. The Board wishes to announce that after trading hours on 20 June 2016, the Company entered into the SP Agreement in respect of the Acquisition.

THE SP AGREEMENT

The principal terms of the SP Agreement are set out below:

Date: 20 June 2016

Parties: The Purchaser and the Vendors

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

Assets to be acquired

On and subject to the terms of the SP Agreement, the Vendors agree to sell, and the Purchaser agrees to purchase, the Sale Shares of the Target Company.

The Sale Shares shall be sold free from Encumbrances and together with all rights and advantages attaching to them as at the date of the SP Agreement (including, without limitation, the right to receive all dividends or distributions declared, made or paid on or after Completion).

The Vendors shall procure that on or prior to Completion any and all rights of pre-emption over the Sale Shares are waived irrevocably by the persons entitled thereto. At Completion, all (but not part of) the Sale Shares shall be transferred to the Purchaser.

Consideration for the Acquisition

The total Consideration for the Acquisition shall be RMB250.0 million (equivalent to approximately HK$294.8 million) in the following installment payments (subject to adjustments as defined below):

(a) a cash deposit in the sum of HK$29.6 million (equivalent to RMB25.0 million at the rate of HK$1: RMB0.8446 as at 27 May 2016) has been paid within 5 Business Days from signing of the MOU;

(b) a cash deposit in the sum of RMB25.0 million (equivalent to approximately HK$29.5 million) shall be paid upon signing of the SP Agreement;

(c) RMB100.0 million (equivalent to approximately HK$117.9 million) shall be paid by the Purchaser to the Vendors in cash on the Completion Date; and

(d) RMB100.0 million (equivalent to approximately HK$117.9 million) shall be paid by the Purchaser to the Vendors by issuing 29,481,480 Consideration Shares at the price of HK$4.00 per share on Completion. The Consideration Shares shall be deposited with the Purchaser by way of security and, subject to satisfaction of the Profit Guarantee by the Vendors, be released to the Vendors within 30 days from the date of issuance of the audited report of the consolidated financial statements of the Target Group for the 12-month period ending 30 June 2019.

The above cash deposit shall be refunded forthwith by the Vendors to the Purchaser if the conditions precedent to the Acquisition cannot be fulfilled or waived by the Long Stop Date.

Each part of the Consideration shall be made to the Vendors in proportion to their existing shareholding in the Target Company. Of the Consideration Shares, 19,752,592 Shares will be issued to Ms. An and 9,728,888 Shares will be issued to Mr. Zhao.

Consideration Adjustment

The Consideration shall be adjusted in the following manner:

The Vendors hereby warrant that the audited consolidated net profit after tax of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards (the "**Net Profit**") for each of the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 shall not be less than RMB25.0 million (equivalent to approximately HK$29.5 million), RMB35.0 million (equivalent to approximately HK$41.3 million) and RMB45.0 million (equivalent to approximately HK$53.1 million) respectively.

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

(i) Should the deficit (if any) between the 3 years' average Net Profit and the average Profit Guarantee amount per year (i.e. RMB35.0 million of the latter (equivalent to approximately HK$41.3 million)) is less than or equal to 10% (i.e. the 3 years' Net Profit is greater than or equal to RMB31.5 million (equivalent to approximately HK$37.1 million)), the compensation will be on a dollar to dollar basis; and

(ii) Should the deficit (if any) between the actual 3 years' average Net Profit and the average Profit Guarantee amount (i.e. RMB35.0 million (equivalent to approximately HK$41.3 million) is more than 10% of the latter (i.e. the 3 years' Net Profit is less than RMB31.5 million) the compensation will be calculated as follows:

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

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

Determination of the Consideration

The Consideration has been determined after arm's length negotiations between the Purchaser and the Vendors after taking into account, among others, (i) the Profit Guarantee to be given by the Vendors; (ii) the fair value of 100% interest in the Target Group is approximately in the range between RMB264.1 million (equivalent to approximately HK$311.4 million) and RMB330.4 million (equivalent to approximately HK$389.6 million) as at 31 March 2016 according to a valuation report, dated 30 May 2016, applying market approach, issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer; (iii) the preliminary financial due diligence conducted by an international accounting firm; (iv) the preliminary legal due diligence conducted by the PRC Legal Advisor; (v) the strategic implications of the Target Group to the Company's arts and collections related business as mentioned in the section headed "Reasons for and benefits of the Acquisition".

The cash portion of Consideration amounted to RMB150.0 million (equivalent to approximately HK$176.9 million) shall be funded by the net proceeds from open offer completed by the Company on 9 December 2015 and the Company's internal resources. The 29,481,480 Consideration Shares will be allotted and issued to the Vendors for the remaining part of the Consideration amounted to RMB100.0 million (equivalent to approximately HK$117.9 million).

Issue Price

The aggregate of 29,481,480 Consideration Shares, will be issued and allotted upon Completion. The Issue Price of HK$4.00 per Consideration Share represents:

(a) a premium of approximately 15.94% over the closing price of HK$3.45 per Share as quoted on the Stock Exchange on the date of the MOU; and

(b) a premium of approximately 17.65% over the closing price of HK$3.40 per Share as quoted on the Stock Exchange on the date of the SP Agreement; and

(c) a premium of approximately 18.34% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the SP Agreement of approximately HK$3.38 per Share.

The Issue Price was determined after arm's length negotiation between the Company and the Vendors with reference to (i) the Issue Price per Consideration Share as mentioned in the MOU, (ii) the prevailing market price of the Shares and (iii) the strategic implications of the Target Group to the Company's arts and collections related business as mentioned in the section headed "Reasons for and benefits of the Acquisition". The Directors (including the independent non-executive Directors) consider the Issue Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent to the Acquisition

The conditions precedent to Completion are:

1. the Purchaser is satisfied with due diligence in respect of the Target Group's financials, business and operations;

2. the Purchaser is satisfied with a legal due diligence on the Target Group and, among others, the Structured Contractual Arrangements;

3. approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares and such approval not having been withdrawn prior to the Completion;

4. each of the Vendors shall have signed a service agreement with the Target Company to the effect that each of them will not terminate his/her agreement prior to 31 June 2019;

5. the Vendors have completed registration pursuant to Circular 37 of 2014 and Circular 13 of 2015 issued by the State Administration of Foreign Exchange in respect of the Target Group;

6. no third parties having sought at any courts or government authority in any jurisdiction, any litigation or proceedings, pending or threatened, which would limit or prohibit the transactions contemplated under the SP Agreement or which would seek to declare the contemplated transactions as illegal or which seek substantial compensation or damages for losses arising from such transactions; and

7. all necessary consents and approvals in relation to transactions contemplated under the SP Agreement having been obtained and the Vendors having complied with the relevant laws, and there having been no rules or regulations imposed by the relevant authorities, or any consents by third parties, to forbid or seriously delay the performance and completion of the SP Agreement.

The Conditions 1, 2 and 4 above may be waived by the Purchaser. The Conditions 3, 5, 6 and 7 above may not be waived by the Purchaser and the Vendors.

In the event that the above conditions are not fulfilled (or waived) on or before the Long Stop Date, the SP Agreement will lapse and become null and void and each of the Company and the Vendors will be released from all obligations hereunder, save for any claim arising out of any antecedent breaches thereof and the obligation of the Vendors to refund the paid cash deposits forthwith to the Purchaser.

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

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

Completion

Completion shall take place at 3:00 p.m. (Hong Kong time) on the 5th Business Day after fulfilment (or waiver) of the above conditions precedents at the office of the Purchaser or at such other location, time or date as may be agreed between the Purchaser and the Vendors. On Completion, the Vendors and the Purchaser shall comply with their respective obligations pursuant to the terms and conditions of the SP Agreement.

The Vendors agree and undertake that upon and after Completion, the Vendors shall, upon the request of the Purchaser, procure the change of the legal representative of Phoenixstar and the shareholders of Phoenixstar to such person(s) acceptable to the Purchaser.

If the Vendors or the Purchaser fails to comply with any material obligation upon Completion, the Purchaser, in the case of non-compliance by the Vendors, or the Vendors, in the case of non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by written notice to the other:

(i) to terminate the SP Agreement pursuant to the underlying terms and conditions without liability on its part; or

(ii) to effect Completion so far as practicable having regard to the defaults which have occurred; or

(iii) to fix a new date for Completion (being not more than 10 Business Days after the agreed date for Completion) pursuant to the terms and conditions of the SP Agreement.

Indemnity

Each of the Vendors and the Purchaser undertakes to indemnify and keep indemnified the other party from and against all actions, claims, demands, proceedings, losses, damages, payments, costs or expenses (including legal and other professional expenses) or other liabilities incurred by the other party in relation to, in connection with or arising out of any breach or non-compliance by the first party of its obligations under the SP Agreement or any representation or warranty made by it which is untrue, inaccurate or misleading in the SP Agreement. Each of the Vendors and the Purchaser shall not be liable to the extent that any losses, damages, payments, costs or expenses or other liabilities shall have been finally determined by a court of competent jurisdiction to have directly resulted from the other party's fraud, wilful default or gross negligence.

INFORMATION OF THE TARGET GROUP

The Target Company and its subsidiaries

The Target Company is an investment holding company incorporated in the BVI with limited liability. The entire issue share capital of the Target Company is legally and beneficially owned by the Vendors, Ms. An and Mr. Zhao as to 67% and 33% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

As at the date of this announcement, the Target Company has a wholly-owned subsidiary incorporated in Hong Kong with limited liability, being KSLF (HK). KSLF (HK) legally and beneficially owns the entire equity interest in KSLF (BJ) which is a company established under the law of the PRC with limited liability. KSLF (BJ) entered into the Structured Contracts with Phoenixstar and/or Phoenixstar's shareholders that KSLF (BJ) is able to gain control over the financial and business operations of Phoenixstar and to be entitled to the economic interest and benefits of Phoenixstar.

Phoenixstar

Phoenixstar has been engaged in arts and collections auction in the PRC since 2011 under 拍賣經營批准證書 (the Certificate Of Approval For Auction Business*) issued by 北京市商務委員會(the Beijing Municipal Commission of Commerce*). It has obtained a 文物拍賣許可證 (the Cultural Relics Auction License) issued by 國家文物局 (the State Administration of Cultural Heritage*) since 2011, which allows it to engage in cultural relics auction business. It is currently qualified as the auction house for type one to three cultural relics pursuant to the requirement of 北京市文物局 (the Beijing Municipal Administration of Cultural Heritage*).

Pheonixstar acts as agent by sourcing and accepting arts and collections, including but not limited to Chinese bronzeware, jadeware and antique furniture, on consignment. It stimulates market demand through professional marketing techniques and marches sellers to buyers at auctions. Phoenixstar collect commissions from both buyers and sellers upon settlement of auction sales. Phoenixstar has established strong connections with public and private organization in the field of arts and collections including but not limited to 中國科學院大學 (University of Chinese Academy of Sciences)，中國民俗錢幣協會 (Association of Chinese Folk Coins Association*) and 中國青銅研究會 (Research Committee of Chinese Bronzeware*) which strengthen Pheonixstar's competitive edges in sourcing, valuation and authentication of arts and collections, particularly the cultural relics. Mr. Zhao, one of the major shareholder of Phoenixstar, is the chairman of 中國青銅研究會(Research Committee of Chinese Bronzeware*) under 北京市工商業聯合會 (Beijing Federation of Industry and Commerce*) and the advisor of 中國民俗錢幣協會 (Association of Chinese Folk Coins Association*). Ms. An and Mr. Zhao have established a team specialised in sourcing, authentication, valuation and auction in the field of Chinese bronzeware, Jadeware, porcelain and other cultural relics which mainly comprises of four cultural relics experts licensed under 中國文化部 (Chinese Ministry of Culture*), two cultural relics authentication experts licensed under 國家文物局 (the State Administration of Cultural Heritage*) and an auctioneer registered under 中國拍賣協會 (China Auction Association*). Phoenixstar has been sourcing arts and collections, particularly the cultural relics, across the globe and conducts large scale auctions in the PRC. It is currently in the process of preparing its debut in the overseas auction function.

Pursuant to the SP Agreement, each of Ms. An and Mr. Zhao warrants and undertakes for non-competition and non-solicitation to the Target Group's business for the longer of during the period of service by each of Ms. An and Mr. Zhao and 1 year after they cease to be an employee or officer of any Target Group Company.

Financial Information of the Target Group

Given the Target Company, KSLF (HK) and KSLF (BJ) have no business activities since their respective incorporation, they have not recorded any profit/loss from their respective dates of incorporation to the date of this announcement. As the date of this announcement, the Target Company, KSLF (HK) and KSLF (BJ), being the investment holding companies, do not hold any assets except through Phoenixstar under the Structured Contracts.

Set out below is the audited financial information of Phoenixstar for each of the two financial years ended 31 December 2014 and 2015:

	For the year ended 31 December 2015	**For the year ended 31 December 2014**
	RMB'000	*RMB'000*
Revenue	16,104	1,955
Profit before taxation	13,049	659
Profit after taxation	9,781	475

The audited net assets of Phoenixstar is approximately RMB20,139,969 as at 31 December 2015.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Company.

Pursuant to the Structural Contractual Arrangements, KSLF (BJ) is able to gain control over the financial and business operations of Phoenixstar and is entitled to obtain economic interest and benefits from its business activities despite the lack of registered equity ownership. The management of the Company is of the view that, under the prevailing Hong Kong Financial Reporting Standards, the financial results of Phoenixstar are capable of being consolidated into the financial statements of the Company upon completion of the Acquisition. The said accounting treatment has been discussed with the auditor of the Company.

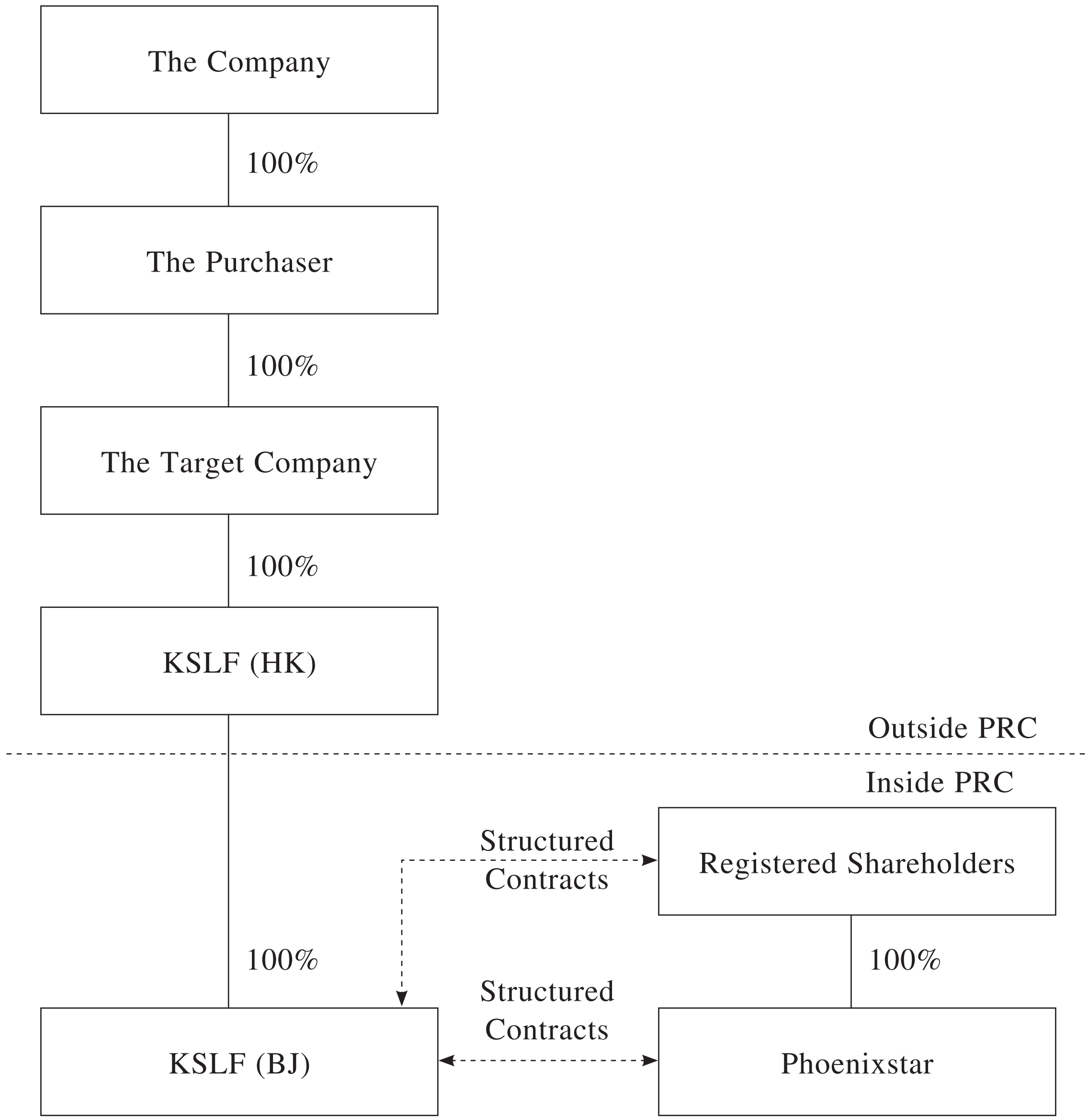
Information on the Registered Shareholders of Phoenixstar

As at the date of this announcement, Phoenixstar is owned as to 67% by Ms. An and 33% by Mr. Zhao. As part of the conditions precedent to the Acquisition, each of the Vendors shall have signed a service agreement with the Target Company to the effect that each of them will not terminate his/her agreement prior to 30 June 2019 as to ensure the consistency and growth of the Target Group's business after Completion and the fulfilment of their Profit Guarantee.

Pursuant to the SP Agreement, the Vendors agree and undertake that upon and after Completion, the Vendors shall, upon the request of the Purchaser, procure the change of the legal representative of Phoenixstar and the shareholders of Phoenixstar to such person(s) acceptable to the Purchaser.

THE STRUCTURED CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from Phoenixstar to KSLF (BJ) stipulated under the Structured Contracts upon Completion:



Introduction

Phoenixstar is engaged in arts and collections auctions in the PRC, the lots of which majorly include cultural relics of Chinese bronzeware, jadeware and antique furniture (the "**Target Business**"). It has obtained 文物拍賣許可證 (the Cultural Relics Auction License*) issued by 國家文物局 (the State Administration of Cultural Heritage*) to conduct the Target Business since 2011. Pursuant to 《外商投資產業指導目錄（2015年修訂）》 (the Guidance Catalogue of Industries for Foreign Investment (2015 Revision) *), the enterprises undertaking cultural relics auctions is one of the prohibited industries for foreign investment. 《中華人民共和國文物保護法》(the Cultural Relics Protection Law of the People's Republic of China*) also provides that it is prohibited to establish Chinese-foreign equity joint, Chinese-foreign contractual joint or solely foreign-funded cultural relics shops or auctions enterprises engaging in cultural relics auctions.

As a result of the foregoing, the Target Company, through KSLF (BJ), has entered into the Structured Contracts with Phoenixstar to conduct the Target Business in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all of the economic benefits of, the Phoenixstar. The Structured Contractual Arrangements are designed specifically to confer upon KSLF (BJ) right to enjoy all the economic benefits of Phoenixstar, to exercise management control over the operations of Phoenixstar, and to prevent leakages of assets and values of Phoenixstar to the equity shareholders of Phoenixstar. The Structured Contracts entered into by the Target Group are: (i) the Exclusive Operation and Technology Support Services Agreement; (ii) the Exclusive Right to Purchase Agreement; (iii) the Equity Pledge Agreement; and (iv) the Voting Rights Proxy Agreement.

The PRC Legal Advisor is of the opinion that the Structured Contractual Arrangements entered into by the Target Group are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations, including those applicable to the business of the Purchaser, the Target Company, KSLF (BJ) and Phoenixstar and do not violate the articles of association of KSLF (BJ) and Phoenixstar.

The Directors therefore believe that save as disclosed, the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC, and that the Structured Contractual Arrangements provide a mechanism that enables the Target Company to exercise effective control over Phoenixstar.

The Board believes that the Structured Contractual Arrangements have been narrowly tailored to achieve the Target Company's business purpose and to minimize the above-mentioned potential conflict with relevant PRC laws and regulations, specifically 《外商投資產業指導目錄(2015年修訂)》(Foreign Investment (2015 Revision)*) and 《中華人民共和國文物保護法》(the Cultural Relics Protection Law of the People's Republic of China*). Since the Target Company was incorporated in the BVI, any investment made by the Target Company directly or through any of its subsidiaries, including KSLF (BJ), is regarded as foreign investment under the PRC laws. Therefore, the Target Company and its subsidiaries are not eligible to apply for the licenses and approvals required for the operation of the Target Business, nor could they acquire equity interests of any company which has already held these licenses under the PRC laws. In order to comply with the applicable PRC laws, the licenses and permits that are essential to the operation of the Target Business held by Phoenixstar. The Target Company, through KSLF (BJ), entered into the Structured Contracts with Phoenixstar to conduct the Target Business in the PRC and to assert management control over the operations of, and enjoy all of the economic benefits of Phoenixstar.

Principal terms of each of the Structured Contracts are set out below:

1. Exclusive Operation and Technology Support Services Agreement

Parties: (i) KSLF (BJ); and

(ii) Phoenixstar.

Services: Phoenixstar will irrevocably appoint KSLF (BJ) as its exclusive services provider to provide technical consulting service, other related technical services, management support service and other related services agreed by both parties from time to time during the term of the Exclusive Operation and Technical Support Services Agreement in accordance with its terms and conditions. KSLF (BJ) can assign a third party to provide the services under this Exclusive Technical Services Agreement.

Fees: Phoenixstar shall pay an annual services fee to KSLF (BJ). Such fee shall be equal to all of annual net income of Phoenixstar (after deducting all costs, expenses, taxes, losses for the year and the legally compulsory development fund of the respective company, if required by the law) and will be payable on annually basis.

Term: The Exclusive Operation and Technology Support Services Agreement shall be for a definite term of twenty years upon execution. The parties agree that the Exclusive Operation and Technology Support Services Agreement can be automatically extended unless KSLF (BJ) gives its notice not to extend the Exclusive Operation and Technology Support Services Agreement.

2. Exclusive Right to Purchase Agreement

Parties: (i) KSLF (BJ)

(ii) Phoenixstar; and

(iii) the Registered Shareholders

Content: The Registered Shareholders jointly and individually grant the KSLF (BJ) the exclusive right to purchase the shares of Phoenixstar in accordance with the terms and conditions of the Exclusive Right to Purchase Agreement, irrevocably and without any additional conditions. KSLF (BJ) can at its sole discretion decide the way to exercise the right and purchase all or part of shares held by shareholders at the minimum price permitted by the relevant laws and regulations of PRC at any time, by one or more times. The Registered Shareholders cannot transfer the shares without written consent from KSLF (BJ). A written exercise notice will be sent to the Registered Shareholders when KSLF (BJ) exercises the exclusive purchase right. Phoenixstar and the shareholders shall provide all necessary materials and documents for the share registration.

Price: The price would be the minimum price permitted by the relevant laws and regulations of PRC. The paid shareholder will return the entire transfer price to KSLF (BJ) or its nominee. Any taxes, charges and fees shall be borne by the parties pursuant to relevant laws and regulations.

Term: The Exclusive Right to Purchase Agreement shall be valid upon execution till KSLF (BJ) has purchased the entire shares of Phoenixstar.

3. Equity Pledge Agreement

Parties:

(i) KSLF (BJ)

(ii) Phoenixstar; and

(iii) the Registered Shareholders

Pledge: Pursuant to the Equity Pledge Agreement, the Registered Shareholders (the “**Pledgors**”) will pledge to KSLF (BJ) (the “**Pledgee**”) their equity interests in Phoenixstar held by them (the “**Equity Interests**”) as security for the Pledgors and Phoenixstar’s obligations under the Structured Contracts which include any payment (including legal expense), expense, loss, interests, liquidated damages, compensation, costs for realization of loans, costs for specific performance of Pledgors’ contractual obligations, and liabilities incurred as results of the Structured Contracts’ termination, recession, wholly or partially invalidation. KSLF (BJ) shall have the right to get compensation by converting the Equity interests into money and seek preferential payments from the proceeds from the auction or sales of the Equity Interests concerned or other disposal methods as agreed by each party in accordance with relevant laws and regulations of the PRC (the “**Pledged Debts**”).

The Equity Pledge Agreement shall become effective upon the execution date. The Pledgors shall cooperate with Phoenixstar to register the pledge in shareholders' register on the date of the execution of the Pledge Agreement and register the pledge with the relevant government authorities as soon as possible.

Prior to the full discharge of the payments and obligations under the Structured Contracts, without written consent of the Pledgee, the Pledgors shall not assign the Equity Interests in Phoenixstar.

Termination: Upon the full and complete performance of Phoenixstar and Pledgors' obligations under the Structured Contracts as well as the Pledgee's written request, the pledge shall be terminated. Costs reasonably incurred thereof shall be borne by the Pledgors.

4. The Voting Rights Proxy Agreement

Parties:

(i) KSLF (BJ)

(ii) Phoenixstar; and

(iii) the Registered Shareholders

Authorisation rights: Pursuant to the Voting Rights Proxy Agreement, KSLF (BJ) (or its designated parties) will have the power to, inter alia, exercise all shareholder's rights granted by applicable laws, regulations and Phoenixstar's articles of association, including but not limited to convening shareholders meeting, voting and signing resolutions at shareholders meeting, filing documents to Phoenixstar's registered office, designating and appointing director and supervisor, transferring or disposing equity of Phoenixstar, participating in Phoenixstar's major decisions, and choosing executive officers and senior management for Phoenixstar. No prior consent from the shareholders is required before KSLF (BJ) (or its designated parties) exercise its voting rights. The shareholders shall recognize KSLF (BJ)'s voting result.

Term: The Voting Rights Proxy Agreement shall be for a definite term of twenty years upon execution. The parties agree that the Voting Rights Proxy Agreement can be automatically extended unless KSLF (BJ) gives its notice not to extend the Voting Rights Proxy Agreement.

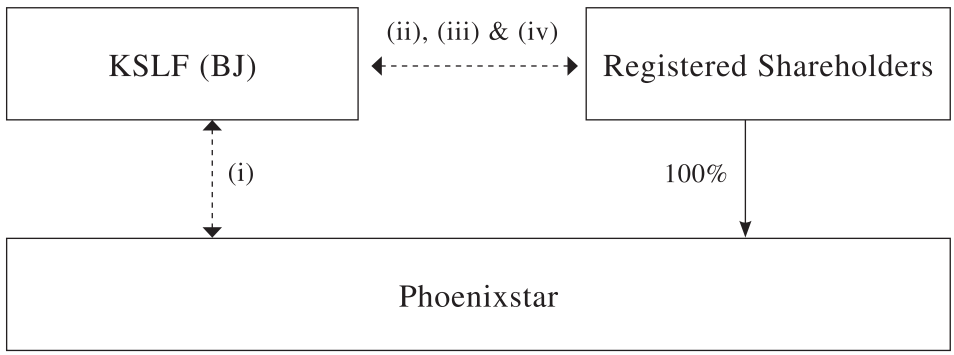
The Company will unwind the Structured Contracts and directly hold the equity interests of Phoenixstar when the relevant restrictions no longer exist. The current legal or regulatory restrictions in exercising the purchase right under the Exclusive Right to Purchase Agreement is stipulated in 《外商投資產業指導目錄（2015年修訂）》(the Guidance Catalogue of Industries for Foreign Investment (2015 Revision)*) and 《中華人民共和國文物保護法》(the Cultural Relics Protection Law of the People's Republic of China*) as set out in the below section headed "Risks relating to Structured Contracts – The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations". The transfer of the equity interests in Phoenixstar from the Registered Shareholders of Phoenixstar to the Group may still be subject to substantial costs. If the foreign ownership restriction is relaxed, the Registered Shareholders of Phoenixstar shall return the cost due to the transfer of the equity interests in Phoenixstar from the Registered Shareholders of Phoenixstar to the Group.

Protection of the interest and assets of the Group

Each of the Structured Contracts includes a provision that each agreement is binding on the successors and permitted assignees of the respective parties. In the event of death, bankruptcy or divorce of the shareholders of Phoenixstar, the Company may exercise its option under the Exclusive Right to Purchase Agreement to replace either Registered Shareholders of Phoenixstar, and the newly appointed nominee shareholder of Phoenixstar will still be subject to the Structured Contracts, thus protecting the interest of the Group and allowing the KSLF (BJ) to enforce its rights under the Structured Contracts against the successors of the Registered Shareholders of Phoenixstar.

Effects of the Structured Contracts

Through the Structured Contracts, the Group will be able to exercise full and effective control over the finance and operation of Phoenixstar and in effect obtain the entire economic interest and rights to variable returns in Phoenixstar as set out below:



→ : Denotes direct legal and beneficial ownership in the equity interest

- - -→ : Denotes contractual relationship under the Structured Contracts

(i) Exclusive operation and technology support services

(ii) Pledge of the entire equity interests of Phoenixstar

(iii) Exclusive option to acquire the entire equity interests in Phoenixstar

(iv) authorisation to exercise all the Shareholder's rights of Phoenixstar

Where losses occur to Phoenixstar, KSLF (BJ) will not share the losses directly. However, subject to the business operation performance of Phoenixstar, KSLF (BJ) will provide financial support under the Structured Contracts and retain the right to waive the return of such financial support by Phoenixstar. Nevertheless, the Structured Contracts do not amount to a shareholding relationship between KSLF (BJ) and Phoenixstar.

Notwithstanding the above, since Phoenixstar is expected to contribute revenue to KSLF (BJ) by way of making payments to KSLF (BJ) under the Structured Contracts, any loss incurred by Phoenixstar will have an adverse impact on the ability of Phoenixstar to make such payments or repay for the financial assistance from KSLF (BJ) and hence indirectly affect KSLF (BJ)'s financial performance on a consolidated basis.

Dispute Resolution Clause in the Structured Contracts

The Structured Contracts are governed by and constructed in accordance with the PRC laws and contain a provision for resolving disputes by arbitration at the Arbitral Body in accordance with its then prevailing arbitration rules. The Exclusive Operation and Technology Support Services Agreement, the Exclusive Right to Purchase Agreement, the Equity Pledge Agreement and the Voting Rights Proxy Agreement include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the Arbitral Body may award remedies over shares and/or assets of Phoenixstar, injunctive relief and/or winding up of Phoenixstar, and that courts in Hong Kong and the PRC are of competent jurisdiction with power to grant interim remedies in support of arbitration pending formation of arbitral tribunal or in appropriate cases. The Company has been advised by the PRC Legal Advisors that the above mentioned provisions regarding injunctive relief or interim remedies contained in the Structured Contracts may not be enforceable, and that under PRC laws, Arbitral Body does not have the power to grant any injunctive relief or liquidation order in case of dispute. Accordingly, such remedies may not be available to the Company or its subsidiaries timely or at all notwithstanding the relevant contractual provisions contained in the Structured Contracts.

Based on the above and as advised by the PRC Legal Advisor, apart from the dispute resolution clause as mentioned above, the Structured Contracts are legally enforceable under current PRC laws and therefore the Directors consider that Structured Contracts are enforceable under the relevant laws and regulations and confer on the Group significant control over and economic benefits in the assets of Phoenixstar.

Liquidation

Pursuant to the Voting Rights Proxy Agreement, in the event of liquidation, the Registered Shareholders have authorised KSLF (BJ) (or its designated parties) to organize, apply for and participate in the liquidation as members of liquidation group and to perform all rights and duties of liquidation group during liquidation, including without limitation, right of receipt of remaining assets of Phoenixstar in liquidation.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Structured Contracts contained certain provisions which confer the Company the right to exercise effective control over and to safeguard the assets of Phoenixstar.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, following completion of the SP Agreement, to implement, through KSLF (BJ), additional internal control measures against Phoenixstar as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

- Phoenixstar is required to
  - submit business plan and budget for the Company's approval at the beginning of each financial year
  - submit monthly management accounts with financial and operating analysis for the review of the Company
- The Company will roll-out its prevailing financial and operational policy and procedures, where appropriate, to Phoenixstar and will conduct regular on-site internal audit on Phoenixstar

- In addition, the Company has engaged an international accounting firm who has real-life experience of working with internal control assessment projects in art and collections auction business both in Hong Kong and the PRC to assist in enhancement of the existing internal controls applicable to Phoenixstar.

RISKS RELATING TO STRUCTURED CONTRACTS

The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations

There can be no assurance that the Structured Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Structured Contracts will be deemed to be in compliance of the PRC laws and regulations.

Up to and including the date of this announcement, KSLF (BJ) and Phoenixstar have not encountered any interference or encumbrance from any governing bodies in operating its business through the Structured Contractual Arrangements.

The Structured Contracts may not be as effective as direct ownership in providing control over Phoenixstar

The Group relies on contractual arrangements under the Structured Contracts with Phoenixstar to operate the Target Business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over Phoenixstar as direct ownership.

The Registered Shareholder may potentially have a conflict of interests with the Group

The Group's control over Phoenixstar is based on the contractual arrangement under the Structured Contracts. Therefore, conflict of interests of the Registered Shareholder will adversely affect the interests of the Company. Pursuant to the Power of Attorney Agreement, the Registered Shareholder will irrevocably authorize KSLF (BJ) (or its director or successor or receiver) as their representative to exercise the voting rights of the shareholders of Phoenixstar. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the Registered Shareholder. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the Registered Shareholder.

The Structured Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the Structured Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Phoenixstar, and this could further result in late payment fees and other penalties to Phoenixstar for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Phoenixstar, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

Development in the Legislation on Foreign Investment in the PRC

Foreign Investment Law of the PRC (Draft for Comment)

On 19 January 2015, MOFCOM published the new draft of 中華人民共和國外國投資法（草案徵求意見稿）(the Foreign Investment Law (Draft for Comment)*) (the "**Draft for Comment**") for public comment. The new Foreign Investment Law (the "**New Foreign Investment Law**"), if finally adopted, may have significant impact on the foreign investment regime of the PRC.

The Draft for Comment proposes to standardize the market entry requirements and procedures for foreign and PRC investors, replacing the existing requirements for approval of all foreign investments by the competent foreign investment authority, and aims to consolidate and simplify the various regulatory requirements on foreign investment. Specifically, among others, the Draft for Comment introduces a new standard in defining the terms of "foreign investor(s)" and "PRC investor(s)".

Under such new standard, only investment made by a foreign investor will be treated as foreign investment and the enterprise thus established will be treated as a foreign-invested enterprise, while a domestic enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such domestic enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. "Ultimate control person" refers to natural persons or enterprises that control, directly or indirectly, foreign investors or foreign-invested enterprises. In addition, foreign investment under the Draft for Comment includes, among others, (i) acquiring any share, equity, unit, voting right or other similar equities in a domestic; and (ii) controlling the domestic enterprise or acquiring any interest in the domestic enterprise by means of contracts, trust or otherwise.

Under the Draft for Comment, "foreign investors" refer to the following persons: (i) natural persons without Chinese nationality; (ii) enterprises established in accordance with the laws of other nations or districts; (iii) government and its affiliated departments or offices of other nations or districts; (iv) international organizations. Furthermore, any domestic enterprise controlled by any of the above person will be deemed as a foreign investor.

Under the Draft for Comment, "PRC investors" refer to the following persons: (i) natural persons with Chinese nationality; (ii) the PRC government and its affiliated departments or offices; and (iii) domestic enterprises controlled by any of the aforesaid two bodies. According to the Draft for Comment, with respect to an enterprise, the terms "control", "controlled" or "controlling" shall mean that any of the following:

1. holding, directly or indirectly, more than 50% of shares, equity, share of property, voting right or other similar equities in the enterprise;

2. holding, directly or indirectly, less than 50% of shares, equity, share of property, voting right or other similar equities in the enterprise, but are under any of the following circumstances: (i) being entitled to, directly or indirectly, more than half of the members of the enterprise's board of director or the similar decision-making body; (ii) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise' board of directors or the similar decision-making body; and (iii) the voting right it holds is sufficient to have significant impact on the resolutions of the board of shareholders, general assembly of shareholders, board of directors or other decision-making body;

3. exerting decisive impact on the enterprise's management, finance, human resources or technologies by contracts, trust or other ways.

Under the Draft for Comment, the Draft for Comment introduces the standard of "actual control" when defining foreign investors according to the standards of the registered place. On one hand, domestic enterprises controlled by foreign investors are deemed foreign investors; on the other hand, for foreign investors controlled by Chinese investors, their investments within the territory of China may be deemed those of Chinese investors.

Under the Draft for Comment, a negative list (the "**Negative List**") will be formulated and promulgated by the State Council, which will classify the foreign investment industries into the restricted list and prohibited list. For the industries not listed in the Negative List, foreign investors are allowed to make the investment without approval. For the industries listed in the restricted list of the Negative List, foreign investors need to obtain access permission from competent departments before it is allowed to make the investment. For the industries listed in the prohibited list of the Negative List, foreign investors are prohibited from making any investment. As the Draft for Comment is not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft for Comment, therefore, there is uncertainty as to whether the business of the Group (including the operation of cultural relics auction business) will fall into the restricted list or prohibited list of the Negative List.

The Draft for Comment was accompanied by the MOFCOM's notes (the "**Notes**") on, among others, the background, guidelines and principle, and main content of the Draft for Comment and elaboration on several issues including the treatment of existing structured contracts arrangement, or "**VIE structure**", which has established before the Draft for Comment taking effect. The Draft for Comment clearly defines VIE structure as a form of foreign investment. After the New Foreign Investment Law come into force, the New Foreign Investment Law shall apply to investment through VIE structure. For investment by VIE structure before the New Foreign Investment Law takes effect, if such investment still falls within prohibited or restricted foreign investment after the entry into force of the New Foreign Investment Law, MOFCOM proposed three possible ways to deal with such investment: (i) reporting: if the reporting regime is finally adopted, the existing VIE structure being permitted to continue following reporting to MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft for Comment and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime; (ii) verification: if the verification regime is finally adopted, the existing VIE structure being permitted to continue following verification, on the application of the investor, by MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft for Comment and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the verification regime; and (iii) access permission: if the access permission regime is finally adopted, the existing VIE structure being permitted to continue following access permission by MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person (the "**Actual Controller**").

The Company would like to emphasize that the Draft for Comment is merely a draft released for the purpose of public consultation and has no legal effect. The approaches to deal with investment falling within prohibited or restricted foreign investment after the coming into force of the Draft for Comment as mentioned in the Notes are set out to solicit public opinions on the treatment of existing structured contracts arrangements and have not been formally adopted and may be subject to revisions and amendments taking into account of the results of public consultation and/or further research and recommendation. There is no definite timeline when the New Foreign Investment Law will come into effect since a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law.

Given the aforementioned, the Directors are given no reasonably sufficient evidence to believe that the New Foreign Investment Law will be adopted immediately and/or the New Foreign Investment Law will be in the same content or form with the Draft for Comment and the Notes.

As provided in the Structured Contracts, the contractual arrangement under the Structured Contracts will be terminated as soon as the relevant PRC laws and regulations including without limitation the New Foreign Investment Law and relevant industry policies and regulations and practice of industry competent authorities allow the business to be conducted and operated by owned subsidiaries of the Company without Structured Contracts in place.

Impact on the Structured Contracts and the Business of Phoenixstar

As mentioned above, under the Draft for Comment, a negative list will be formulated and promulgated by the State Council, which will classify the foreign investment industries into the restricted list and prohibited list. As the Draft for Comment is not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft for Comment, therefore, there is uncertainty as to whether the business of the Group (including the operation of the cultural relics auction business) will fall into the restricted list or prohibited list of the Negative List. According to current contents of the Draft for Comment and the Notes, with respect to investment arrangement through structured contracts before the New Foreign Investment Law taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment, as mentioned above, it will be subject to (i) reporting; (ii) verification; or (iii) access permission requirement.

There is uncertainty as to which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft for Comment and the Notes, a VIE structure which is ultimately controlled by a PRC investor may be permitted to continue following reporting to, verification or access permission by MOFCOM, while a VIE structure which is ultimately controlled by a foreign investor may be permitted to continue following approval by MOFCOM after taking into account a number of consideration including, without limitation, the identity (whether PRC investor or foreign investor) of the Actual Controller.

Taking into account the facts that the consultation stage for public comment of the Draft for Comment ended in February 2015 and a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, and the Directors consider that proper arrangement has been made at this stage to mitigate against the risk to the minimal extent that, following the closing of the Acquisition, the business under the Structured Contracts may become non-compliant with the Draft for Comment.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Consideration Shares having been issued, assuming in all cases that there are no other changes in the share capital of the Company from the date of this announcement up to the issue of the Consideration Shares.

	As at the date of this announcement		**Immediately after the Consideration Shares having been issued**	
	No. of Shares	*Approximate % of the total issued share capital of the Company*	*No. of Shares*	*Approximate % of the total issued share capital of the Company*
Da Tang Xi Shi International	325,680,424	68.62	325,680,424	64.60
Vendors				
Ms. An	–	–	19,752,592	3.92
Mr. Zhao	–	–	9,728,888	1.93
Other public Shareholders	148,955,476	31.38	148,955,476	29.55
Total	474,635,900	100.00	504,117,380	100.00

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

As mentioned in the open offer prospectus of the Company dated 26 November 2015 and the annual report of the Company for the five months ended 31 December 2015, it is the intention of the Group to diversify its business with the objective of broadening its sources of income. The Group will focus on online and offline trade of cultural goods and cross-border e-commerce as the main business direction in future development of art and cultural related business. The Group has been in close discussion and negotiation with several high caliber counterparties for (i) potential strategic partnership with the Group and (ii) potential vertical and horizontal acquisition opportunities which may create synergies for its art and collections related business.

The aim of the Group is to provide consumers an enjoyable shopping experience for high end art and collections including but not limited to the cultural relics. Further to the announcement of the Company dated 27 January 2016, the Group envisages building the offline arts and collections headquarter for providing an integrated functions of storage, exhibition, auction, promotion and trading of arts and collections. The Group is optimistic about the development of its offline arts and collections headquarter through the integration of the arts and collections auction business of the Target Group as its new offline sales channel.

Having considered, among other things:

(i) the synergy between the Target Group's seasoned management and expert team, client bases and connections to professional organisations in the fields of high end arts and collections auction and cultural relics and the development of the Company's online and offline arts and collections related business;

(ii) the strategic integration of the resources between the Group and the Target Group in various aspects (such as industry expert resources, deal sourcing, industry networks, sales and marketing, financing, back office support, technical support and etc.) to enhance corporate growth and achieve cost reduction and operation efficiency;

(iii) the SP Agreement has in place the performance targets covering the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 and a corresponding adjustment mechanism on the Consideration to safeguard the interest of the Company; and

(iv) a significant portion of the entire Consideration is to be settled by way of Consideration Shares which will enlarge the equity base of the Company while preserving the Company's liquidity.

The Directors (including the independent non-executive Directors) consider the Acquisition presents a valuable investment opportunity to enhance corporate development and broaden the income base of the Group which also facilitate the development of the Group's arts and collections related business.

The Directors (including the independent non-executive Directors) consider that the SP Agreement, was entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiation, and that the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all the applicable percentages ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with new Shares granted to the Directors by a resolution of the Shareholders subject to the limit of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company.

Pursuant to the General Mandate, the total number of new Shares that the Directors are authorised to allot and issue is 94,927,180 new Shares (up to 20% of the number of issued Shares of 474,635,900) as at the date of the AGM held on 2 June 2016). As at the date of this announcement, the total number of new Shares that can be allotted and issued under the General Mandate is 94,927,180 new Shares.

Shareholders' approval will not be required for the allotment and issue of the Consideration Shares as the Consideration Shares will be issued under the General Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. Details of the impact of the Consideration Shares on the shareholding structure of the Company are set out in the section headed "Effect on Shareholding Structure of the Company".

The Consideration Shares shall rank pari passu in all respects among themselves and with the existing issued Shares on the date of allotment and issue of the Consideration Shares.

GENERAL

Completion of the Acquisition is subject to the fulfillment (or waiver) of the conditions precedent under the SP Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

"Acquisition"	the Acquisition by the Purchaser of the entire issued share capital of the Target Company
"AGM"	the annual general meeting of the Company held on 2 June 2016
"associates"	has the meaning ascribed to it under the Listing Rules
"Arbitral Body"	China International Economic and Trade Arbitration Commission
"Board"	board of the Directors
"Business Day"	a day which is not a Saturday, a Sunday or a public holiday in Hong Kong
"BVI"	British Virgin Islands
"Company"	DTXS Silk Road Investment Holdings Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 620)
"Completion"	completion of the Acquisition shall take place at 3:00 p.m. (Hong Kong time) on the 5th Business Day after fulfilment (or waiver) of the conditions precedent at the office of the Purchaser or at such other location, time or date as may be agreed between the Company and the Vendors
"Completion Date"	the date of Completion pursuant the SP Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	the consideration payable by the Purchaser to the Vendors for the entire equity interest of the Target Company, being RMB250.0 million (equivalent to approximately HK$294.8 million) to be settled by cash and Consideration Shares (subject to adjustments as detailed in the section headed "Consideration for the Proposed Acquisition")
"Consideration Share(s)"	the Shares to be issued and allotted by the Company to the Vendors at the Issue Price as to settle a portion of the Consideration in the amount of RMB100.0 million (equivalent to approximately HK$117.9 million), which is equivalent to 29,481,480 Shares
"Da Tang Xi Shi International"	Da Tang Xi Shi International Holdings Limited, a company incorporated in the BVI with limited liability. As at the date of the announcement, Da Tang Xi Shi International held 325,680,424 Shares, representing approximately 68.62% of the entire issue share capital of the Company
"Directors"	directors of the Company
"Encumbrance"	any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Independent Third Party(ies)"	an individual or a company who is not connected with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates and is independent of the Company
"Issue Price"	the issue price of HK$4.00 per Consideration Share

"KSLF (BJ)"	北京景星麟鳳信息諮詢有限公司 (Beijing Phoenixstar Information Consultancy Company Limited*), a company established in the PRC with limited liability which will be a wholly-owned subsidiary of KSLF (HK)
"KSLF (HK)"	China King Sing Lun Fung Company Limited (中國景星麟鳳有限公司), a company incorporated in Hong Kong with limited liability which is the wholly-owned subsidiary of the Target Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Committee"	has the meaning ascribed thereto in the Listing Rules
"Long Stop Date"	30 September 2016 (or such later date as may be agreed between the Purchaser and the Vendors in writing)
"Ms. An"	Ms. An Xinxian (安新鮮), a PRC citizen
"Mr. Zhao"	Mr. Zhao Chunan (趙春安), a PRC citizen
"MOFCOM"	Ministry of Commence of the PRC
"MOU"	the memorandum of understanding dated 26 May 2016 entered into between the Company and the Vendors in relation to the Acquisition
"PRC"	means the People's Republic of China, and for the purpose of this announcement shall not include Hong Kong, Taiwan and the Special Administrative Region of Macau
"PRC Legal Advisor"	陝西錦路律師事務所 (Shaanxi Silkroad Law Firm), the legal advisor to the Company as to laws of the PRC
"Phoenixstar"	北京景星麟鳳國際拍賣有限公司 (Beijing Phoenixstar International Auction Co., Ltd.*), a company established in the PRC with limited Liability, which is engaged in the arts and collections auction business

"Purchaser"	DTXS Auction Limited, a company incorporated in the BVI with limited liability which is an indirect wholly-owned subsidiary of the Company
"Profit Guarantee"	the Profit Guarantee warranted by the Vendors that the consolidated net profit after tax of the Target Group for each of the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019 shall not be less than RMB25.0 million, RMB35.0 million and RMB45.0 million respectively
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the entire issued share capital of the Target Company
"Share(s)"	share(s) of HK$0.50 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SP Agreement"	the sale and purchase agreement dated 20 June 2016 entered into between the Vendors and the Company in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contractual Arrangements"	the contractual arrangements dated 17 June 2016 entered into between Phoenixstar and KSLF (BJ), namely, 獨家營運及技術服務協議 (the "**Exclusive Operation and Technology Support Services Agreement***"), 獨家購買權協議 (the "**Exclusive Right to Purchase Agreement***"), 股權質押協議 (the "**Equity Pledge Agreement***") and 股東表決權委託協議 (the "**Voting Rights Proxy Agreement***") (collectively, the "**Structured Contracts**") executed by each of the two Registered Shareholders, details of which are set out in the section headed "the Structured Contractual Arrangements"
"Target Company"	China King Sing Lun Fung Auction Holdings Company Limited （中國景星麟鳳拍賣控股有限公司）, a limited liability company incorporated in the BVI

"Target Group"	the Target Company, KSLF (HK), KSLF (BJ) and Phoenixstar, and each member of the Target Group shall be referred to as a "**Target Group Company**"
"Vendors" or "Registered Shareholders"	Ms. An and Mr. Zhao, the legal and beneficial owners of the entire issued share capital of the Target Company as to 67% and 33% respectively and of the Phoenixstar as to 67% and 33% respectively
"%"	per cent.

By Order of the Board
DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED
Wong Kwok Tung Gordon Allan
Executive Director (Chief Executive Officer)

Hong Kong, 20 June 2016

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

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK$ at the rate of HK$1 = RMB0.84799 (being the RMB central parity rate by the People's Bank of China as at 17 June 2016). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

* *For identification purpose only*