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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)**

### **ANNOUNCEMENT**

This announcement is made by DTXS Silk Road Investment Holdings Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 20 June 2016 in relation to the SP Agreement entered into between the Purchaser and the Vendors in respect of the Acquisition of the Sale Shares which represents the entire issued share capital of the Target Company (the “**Announcement**”). Unless otherwise defined or the context otherwise requires, terms used herein shall have the same meanings as defined in the Announcement.

The Vendors have warranted that the audited consolidated net profit arising from the operating business after tax (the “**Net Profit**”) of the Target Company and its subsidiaries (the “**Target Group**”) prepared in accordance with Hong Kong Financial Reporting Standards for the three financial years ending 30 June 2019 (the “**Original Schedule**”) shall not be less than RMB25 million, RMB35 million and RMB45 million (the “**Profit Guarantee**”) respectively.

In the event that the Vendors fail to meet the Profit Guarantee, they should compensate the Purchaser on the basis of the mechanisms set out below:

1. Should the deficit (if any) between the average Net Profit for the three financial years ending 30 June 2019 (the “**Average Net Profit**”) and the average Profit Guarantee for the three financial years ending 30 June 2019, being RMB35 million (the “**Average Profit Guarantee**”), is less than or equal to 10% of the Average Profit Guarantee, the compensation will be on a dollar to dollar basis.
2. Should the deficit (if any) between the Average Net Profit and the Average Profit Guarantee is more than 10% of the Average Profit Guarantee, the compensation will be calculated based on the formula below:

$$\text{Compensation} = \text{RMB3.5 million} + (7 \times (\text{absolute value of the deficit amount in RMB} - \text{RMB3.5 million}))$$

As at the date of this announcement, the Target Group is still in the process of preparing its audited accounts for the financial year ending 30 June 2019. As a result, the actual shortfall between the Average Net Profit and the Average Profit Guarantee has not been confirmed.

With reference to the annual report of the Company for the two financial years ended 31 December 2018, the Net Profit of the Target Group for the two financial years ended 30 June 2018 were lower than the guarantee amounts under the Profit Guarantee for the two financial years ended 30 June 2018, respectively. This is mainly attributable to the delay of critical aspects of the Target Group’s operations in relation to several planned major auction events and art financing business due to the implementation of an internal control system of the Target Group after the completion of the acquisition of the Target Group in July 2016.

In June 2016, the Company has engaged an international accounting firm to advise the Company on the internal control system of the Target Company in view of the Acquisition. Due to the implementation of the internal control system, critical aspects of the operations of the Target Company in relation to several planned major auction events and art financing business were postponed during the period from June to December 2016. This has in various ways interfered with the Vendors’ business management and operations of the Target Group and thus their ability to meet the Profit Guarantee. In view of the circumstances, the parties have been negotiating on the fair postponement and shifting of the guarantee period pursuant to the terms of the SP Agreement and meanwhile, all the Consideration Shares have been deposited with the Purchaser by way of security.

The Vendors and the Purchaser have entered into a supplemental agreement on 26 June 2019, pursuant to which the Vendors and the Purchaser clarified and confirmed that the Original Schedule relating to the Profit Guarantee, being the three financial years ending 30 June 2019 is to be postponed and shifted forward by six months. The guarantee period under the supplemental agreement would be the three financial years from 1 January 2017 to 31 December 2019 (the “**New Schedule**”). The New Schedule is in line with the timing of the reactivation of the Target Group’s critical aspects of the operations after the integration of the Target Group into the internal control system and standard of the Group.

Having considered that the New Schedule for the Profit Guarantee remains to be three financial years, and the starting date of which is in line with the reactivation of the Target Group’s critical aspects of the operations following the integration of the Target Group into the internal control system of the Group, the Directors are of view that the New Schedule does not bring about any material change to the interest of the Group in terms of the Acquisition of the Target Company.

Based on currently available information, under the New Schedule, the consolidated net profit arising from the operating business after tax for the first two financial years were approximately RMB22 million and RMB21 million respectively. The actual shortfall, which has not been confirmed, will be based on the average Net Profit for the three financial years ending 31 December 2019 where the Average Profit Guarantee will reflect the overall business performance of the Target Group. The Directors will monitor the performance of the Target Group in view of the Profit Guarantee and will make further announcement(s) as and when appropriate.

By Order of the Board  
**DTXS Silk Road Investment Holdings Company Limited**  
**Lai Kim Fung**  
*Executive Director and Chief Executive Officer*

Hong Kong, 26 June 2019

*As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Yang Xingwen, Mr. Lai Kim Fung (Chief Executive Officer) and Mr. Wong Kwok Tung Gordon 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.*