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(s) or the transferee(s) or to the bank, licenced securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of DTXS Silk Road Investment Holdings Company Limited.

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)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE GUARANTEE ARRANGEMENTS AND (3) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

八方金融有限公司
OCTAL Capital Limited

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

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

A letter from the Board is set out from pages 7 to 33 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out from pages 34 to 35 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 36 to 66 of this circular.

A notice convening the SGM to be held at DTXS Hong Kong Art Central Business District, G/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 11 March 2020 is set out from pages SGM-1 to SGM-3 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.

21 February 2020

CONTENTS

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

"Accounts"	the accountants' report on historical financial information of the Target Group for each of the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, such accountants' report comprising, in each case, a consolidated statement of financial position, a consolidated statement of profit or loss and other comprehensive income, a consolidated statement of changes in equity and a consolidated statement of cash flows, and a summary of significant accounting policies and other explanatory information
"Announcement"	the announcement of the Company dated 29 November 2019 in respect of the Proposed Acquisition
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day(s) (other than a Saturday or Sunday) on which licensed banks in Hong Kong and the PRC are generally open for normal banking business
"BVI"	the British Virgin Islands
"BVI Company 2"	DTXS Enterprise Holdings (BVI) Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Target Company
"BVI Company 3"	Wisdom Prismatic Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Target Company
"Capital Injection Commitment"	the commitment to inject the outstanding registered capital of DTXS Enterprise of RMB116,500,000 (equivalent to approximately HK$129,786,000) into DTXS Enterprise by the Target Company through its wholly-owned subsidiaries, which represents the Target Company's indirect proportionate equity interests in the total registered capital of DTXS Enterprise. Such commitment will be assumed by the Purchaser upon Completion pursuant to the Share Purchase Agreement
"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 Proposed Acquisition pursuant to the terms and conditions of the Share Purchase Agreement
"Completion Accounts"	the consolidated management account of the Target Group, comprising (i) its unaudited statement of financial position as at the Completion Date; and (ii) its unaudited statement of profit or loss and other comprehensive income for the period from 1 January 2019 and to the Completion Date
"Completion Date"	the fifth Business Day after the last of the outstanding Conditions Precedent shall have been fulfilled (or waived by the Purchaser on or before such date) or, if different, the day (which must be a Business Day) agreed by the Purchaser and the Vendor in writing on which the Completion shall take place
"Condition(s) Precedent"	the condition(s) precedent of the Completion, details of which are set out in the paragraph headed "Conditions Precedent to the Proposed Acquisition" in this circular
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration to be paid by the Purchaser to the Vendor for the Sale Shares being RMB190,000,000 (equivalent to approximately HK$211,669,000)
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"DTXS Enterprise"	Xi'an Da Tang Xi Shi Enterprise Limited* (西安大唐西市實業有限公司), a sino-foreign joint venture established in the PRC with limited liability and a registered capital of RMB166,500,000
"DTXS International Holdings"	Da Tang Xi Shi International Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor
"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) is an investment holding company established in the PRC with limited liability, the equity interest of which is owned as to approximately 50.6%, 13.8%, 13.8%, 13.8% and 8.0% by Mr. Lu, Mr. Liang, Mr. Yang, Mr. Yu and NOHIP respectively
"Enlarged Group"	the Group as enlarged by the Target Group upon the Completion

"Entity A"	a company established in the PRC with limited liability, which holds 16.5165% of the registered capital of DTXS Enterprise and is an Independent Third Party
"GDP"	gross domestic product
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK Company 1"	HK DTXS Enterprise Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability, being a direct wholly-owned subsidiary of the Target Company and directly owned approximately 43.4685% of the registered capital of DTXS Enterprise
"HK Company 2"	DTXS Enterprise Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability, being a indirect wholly-owned subsidiary of the Target Company, and directly owned approximately 25.0% of the registered capital of DTXS Enterprise
"HK Company 3"	Wisdom Prismatic (HK) Limited, an investment holding company incorporated in Hong Kong with limited liability, being a indirect wholly-owned subsidiary of the Target Company and directly owned approximately 1.5015% of the registered capital of DTXS Enterprise
"Independent Board Committee"	an independent committee of the Board, formed by the Company, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders as to whether (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements as a whole 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 (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements

"Independent Shareholder(s)"	Shareholder(s) who are not required to abstain from voting at the SGM to approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements
"Independent Third Party(ies)"	third party or parties and who and whose ultimate beneficial owner(s) are independent of the Company and the connected persons (as defined under the Listing Rules) of the Company
"Latest Practicable Date"	17 February 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreement"	the loan agreement dated 10 June 2019 entered into between Entity A (as the lender), Xi'an Jinchique (as the borrower), DTXS Investment and DTXS Enterprise (as the guarantors) whereby Entity A granted a loan in the amount of RMB100,000,000 to Xi'an Jinchique, and DTXS Investment and DTXS Enterprise jointly and severally guarantee the repayment of the aforesaid loan of RMB100,000,000 upon the terms and subject to the conditions as set out therein. Pursuant to the Loan Agreement, 16.5165% of the registered capital of DTXS Enterprise was transferred to Entity A as a security for the loan of RMB100,000,000 and the security will be released upon full repayment of the loan of RMB100,000,000
"Long Stop Date"	30 June 2020 or such later date as the Purchaser and the Vendor may agree in writing
"Mr. Liang"	Mr. Liang Lei* (梁雷先生)
"Mr. Lu"	Mr. Lu Jianzhong* (呂建中先生), an executive Director
"Mr. Yang"	Mr. Yang Xingwen* (楊興文先生), an executive Director
"Mr. Yu"	Mr. Yu Baoan* (于寶安先生)
"NOHIP"	Ningbo Ouying Hongchuang Investment Partnership* (寧波歐盈宏創投資合夥企業(有限合夥))
"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

"PRC Legal Opinion"	a legal opinion to be prepared and issued by a firm of lawyers from the PRC appointed by the Company and addressed to the Company in respect of DTXS Enterprise, its business(es) and assets (including but not limited to its properties and land) in such form and substance satisfactory to the Company
"Properties"	properties and land located in the Tang West Market in Xi'an City, Shaanxi Province, the PRC and held by DTXS Enterprise. For details of the Properties, please refer to the section headed "Information of the Target Group and the Properties" in this circular
"Proposed Acquisition"	the proposed acquisition in relation to the Sale Shares pursuant to the terms and conditions of the Share Purchase Agreement
"Purchaser"	DTXS Silk Road Investment Development Company Limited is an investment holding company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the entire issued share capital of the Target Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements
"Share(s)"	ordinary share(s) of HK$0.50 each in the share capital of the Company
"Share Purchase Agreement"	the conditional share purchase agreement dated 29 November 2019 entered into between the Vendor and the Purchaser in relation to the Proposed Acquisition
"Shareholder(s)"	holder(s) of the Shares(s)
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	HK DTXS Enterprise Holdings (BVI) Limited, an investment holding company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor
"Target Group"	Target Company, its five wholly-owned subsidiaries and DTXS Enterprise
"Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional qualified valuer engaged by the Company
"Vendor"	Da Tang Xi Shi International Group Limited, an investment holding company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of DTXS Investment
"Xi'an Jinchique"	Xi'an Jinchique Trading Company Limited* (西安金翅雀商貿有限公司) is a company established in the PRC with limited liability and is an Independent Third Party
"%"	per cent.

For the purpose of this circular, the translation of RMB into HK$ is based on the rate of HK$1:RMB0.89763. The above conversion rate is for illustrative purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

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)

Non-executive Directors:
Mr. Jean-Guy Carrier
Dr. Cheng Kar-Shun, Henry

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Mr. Tsui Yiu Wa, Alec
Mr. Tse Yung Hoi
Mr. Wang Shi

Registered office:
Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

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

21 February 2020

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE GUARANTEE ARRANGEMENTS AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in respect of, among other things, (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

On 29 November 2019 (after trading hours), the Purchaser entered into the Share Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target Company at the Consideration of RMB190,000,000 (equivalent to approximately HK$211,669,000). Pursuant to the Share Purchase Agreement, the Purchaser has agreed to assume the Capital Injection Commitment from the Vendor to contribute capital of approximately RMB116,500,000 (equivalent to approximately HK$129,786,000) to DTXS Enterprise upon the Completion.

On 15 April 2019, DTXS Enterprise entered into the Guarantee Agreement with the Bank of Xi'an Co., Ltd. in relation to the provision of guarantee to a loan obtained by DTXS Property. DTXS Property raised a loan from the Bank of Xi'an Co., Ltd. and its certain properties are pledged for the aforesaid loan. In view that DTXS Enterprise and DTXS Property are the fellow subsidiaries of DTXS Investment and the strong asset base of DTXS Enterprise, DTXS Enterprise provided a joint and several guarantee for the loan in full. In the meantime, DTXS Investment and DTXS Enterprise entered into the Counter Guarantee Agreement in relation to the provision of an unconditional, irrevocable, joint and several counter guarantee in favour of DTXS Enterprise for its obligations under the Guarantee Agreement. The Guarantee Arrangements will be continuing upon the Completion.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Purchase Agreement and the Guarantee Arrangements; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Share Purchase Agreement and the transactions contemplated thereunder, together with the Guarantee Arrangements; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Group and the Target Group; (v) the management discussion and analysis of the Target Group; (vi) the valuation report of the Properties; and (vii) the notice of the SGM, in order to enable you to make an informed decision on how to vote at the SGM.

SHARE PURCHASE AGREEMENT

Date: 29 November 2019 (after trading hours)

Parties:

(i) The Purchaser; and

(ii) The Vendor.

The background of the Vendor can be referred to in the below section headed "Information of the Vendor" for details.

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target Company. The Target Company indirectly holds in aggregate approximately 69.97% of the registered capital of DTXS Enterprise. Thus, it holds approximately 69.97% interest of the Properties.

Consideration

Pursuant to the Share Purchase Agreement, the Consideration of RMB190,000,000 (equivalent to approximately HK$211,669,000) will be payable and settled by the Purchaser in the following manner:

1. RMB57,000,000 (equivalent to approximately HK$63,501,000) as deposit (the "Deposit") shall be paid within 3 Business Days after signing the Share Purchase Agreement; and

2. the remaining balance of RMB133,000,000 (equivalent to approximately HK$148,168,000) shall be paid on the Completion Date.

The Vendor shall refund the Deposit to the Purchaser in full if the Completion does not materialize. No interest shall accrue on such Deposit to be refunded by the Vendor to the Purchaser.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor after taking into account, among others, (i) the market value of the Properties owned by DTXS Enterprise in the amount of approximately RMB1,208,400,000 (equivalent to approximately HK$1,346,212,000) as at 31 July 2019 according to a draft valuation report issued by the Valuer by applying market approach and cost approach; (ii) the unaudited financial statements of the Target Group for the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019; and (iii) the strategic implication of the Properties to the Company as mentioned in the section headed "Reasons for and benefits of the Proposed Acquisition". Taking into account the adjusted consolidated net asset value attributable to the owner of the Target Group of approximately HK$398.4 million as at 30 September 2019 (which is adjusted for the valuation surplus of the Properties based on the draft valuation report as at 31 July 2019 issued by the Valuer by applying market approach and cost approach), the Consideration represents a discount of approximately 46.9% to the adjusted consolidated net asset value attributable to the owner of the Target Group.

Taking into account (i) the audited consolidated net asset value attributable to the owner of the Target Group as at 30 September 2019 is approximately HK$38.5 million as set out in Appendix II of this circular, and (ii) the market value of the Properties owned by DTXS Enterprise as at 30 November 2019 is approximately RMB1,401.9 million

(equivalent to approximately HK$1,561.8 million) as set out in Appendix V of this circular, the adjusted consolidated net asset value attributable to the owner of the Target Group as at 30 September 2019 is approximately HK$452.4 million, the Consideration represents a discount of approximately 53.2% to the adjusted consolidated net asset value attributable to the owner of the Target Group.

Pursuant to the Share Purchase Agreement, the Purchaser has agreed to assume the Capital Injection Commitment from the Vendor to contribute capital of approximately RMB116,500,000 (equivalent to approximately HK$129,786,000), which represents the Target Company's indirect proportionate equity interests in the total registered capital of DTXS Enterprise, to DTXS Enterprise upon the Completion.

The Consideration and the Capital Injection Commitment will be financed by the net proceeds from the share subscription of the Company completed on 28 August 2019 and internal resources of the Group.

Conditions Precedent to the Proposed Acquisition

The Conditions Precedent to the Proposed Acquisition are:

(1) the Purchaser having, at its own cost:

    (a) carried out the due diligence review (as defined in the Share Purchase Agreement) and being satisfied with the results thereof;

    (b) obtained the PRC Legal Opinion, in form and substance satisfactory to the Company;

(2) the approval by the Board and the Shareholders (or, if so required by the Listing Rules or by the SFC, the Independent Shareholders) of the Proposed Acquisition together with the Guarantee Arrangements, the Share Purchase Agreement and the transactions contemplated thereunder at the SGM to be convened in accordance with, and all other consents and acts required under, the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(3) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to the Completion in relation to the transactions contemplated under the Share Purchase Agreement;

(4) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Share Purchase Agreement having been obtained;

(5) from the date of the Share Purchase Agreement and at any time before the Completion, the warranties and representations referred to in the Share Purchase Agreement to be given by the Vendor (the "Warranties") remain true and accurate and not misleading and no any act, omission, transaction or circumstance occurring or subsisting at the relevant time have occurred that would result in any breach of any Warranties or other provisions of the Share Purchase Agreement by the Vendor;

(6) the Vendor having in material aspects fully complied with the obligations and otherwise having performed in material aspects all of the covenants and agreements under the Share Purchase Agreement;

(7) there is no occurrence of (i) any change (or effect) which has a material and adverse effect on the conditions (including but not limited to the financial position, business, asset or property, results of operations, prospects or otherwise) of the Target Group; nor (ii) any of the events, matters or circumstances referred to in the Share Purchase Agreement with respect to any member of the Target Group; and

(8) production by the Vendor to the Purchaser of evidence that:

    (a) DTXS Enterprise's amount due from related companies has been fully settled; and

    (b) DTXS Enterprise's liabilities under the Loan Agreement, have been fully released and discharged.

The Purchaser shall use its reasonable endeavors to procure the fulfillment of the Conditions Precedent 1 to 2 above on or before the Long Stop Date. The Vendor shall use its reasonable endeavors to procure the fulfillment of the Conditions Precedent 5 to 8 on or before the Long Stop Date. Each of the Purchaser and the Vendor shall use their reasonable endeavors (in view of the nature of the transactions for the Vendor as contemplated by the Share Purchase Agreement) to procure the fulfillment of the Conditions Precedent 3 to 4 above on or before the Long Stop Date.

The above Conditions Precedent 5 to 8 may be waived by the Purchaser at its sole and absolute discretion by notice in writing to the Vendor. None of other Conditions Precedent above may be waived by any parties to the Share Purchase Agreement.

If any of the above Conditions Precedent has not been satisfied (or, as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Share Purchase Agreement shall cease and terminate (except clauses in relation to definition and interpretation, confidentiality and announcement, costs and expenses, notices and governing law, jurisdiction and process agent in the Share Purchase Agreement shall remain in full force and effect) and none of the parties to the Share Purchase Agreement shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms of the Share Purchase Agreement.

As at the Latest Practicable Date, none of the Conditions Precedent set out above have been satisfied or waived.

Completion

Subject to the satisfaction of all the Conditions Precedent in full (or waiver of certain Conditions Precedent by the Purchaser), the Completion will take place on the Completion Date at such time and place as shall be agreed by the Purchase and the Vendor in writing.

Indemnity

Subject to the Completion taking place, the Vendor unconditionally and irrevocably undertakes with the Purchaser (for itself and as trustee for the benefit of each member of the Group) that the Vendor will, without recourse against the Group, assume and be solely liable for all liabilities, losses, damages, costs and expenses suffered by the Group, if any, which have not been recorded in the Accounts and the Completion Accounts and the Vendor shall indemnify and keep indemnified the Purchaser (for itself and as trustee for the benefit of each member of the Group) on first demand and on a full indemnity basis all liabilities, losses, damages, costs and expenses suffered or incurred by any member of the Group in respect of such liabilities, losses, damages, costs and expenses or otherwise in respect of a breach or non-fulfilment of the indemnity clause in the Share Purchase Agreement.

Notwithstanding anything to the contrary in the Share Purchase Agreement, subject to the Completion taking place, the Vendor unconditionally and irrevocably undertakes with the Purchaser (for itself and as trustee for the benefit of each member of the Group) that (i) all the necessary and legally required PRC permits, licences, consents, approvals, certificates, qualifications, specifications, registrations or other authorizations in respect of the completed properties held for sale (whether sold or unsold) of DTXS Enterprise as per the PRC Legal Opinion (the "Properties Certificates") shall be duly obtained within 12 months commencing from the Completion Date (or such longer period as the Purchaser and the Vendor may agree); (ii) the Vendor shall properly and timely transact and complete all tax filing and registration in relation to transactions as contemplated under the Share Purchase Agreement before and after the Completion; and (iii) in the event that the Target Group fails to obtain the Properties Certificates within 12 months commencing from the Completion Date (or such longer period as the Purchaser and the Vendor may agree) or the Vendor fails to properly and timely transact and complete all tax filing and registration in relation to transactions as contemplated under the Share Purchase Agreement before and after the Completion, the Vendor will, without recourse against the Group, assume and be solely liable for all the liabilities, losses, damages, penalties, fines, costs and expenses suffered or incurred by or imposed on the Group as a result of or arising from such failure(s) and the Vendor shall indemnify and keep indemnified the Purchaser (for itself and as trustee for the benefit of each member of the Group) on first demand and on a full indemnity basis all liabilities, penalties, fines, losses, damages, costs and expenses suffered or incurred by or imposed on any member of the Group in respect of such liabilities, penalties, fines, losses, damages, costs and expenses or otherwise in respect of a breach or non-fulfilment of the indemnity clause in the Share Purchase Agreement.

Specific Performance

Without prejudice to any other remedies available to the Purchaser, if, following fulfillment or waiver of the Conditions Precedent, the Vendor fails to complete the Share Purchase Agreement on the Completion Date (otherwise than as a result of the sole default of the Purchaser), the Purchaser shall have the right to seek specific performance of the Share Purchase Agreement.

If the Purchaser elects to exercise its right to specific performance of the Share Purchase Agreement:

(1) The Vendor acknowledges and confirms that an alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for the Vendor's default in the performance of the terms and conditions of the Share Purchase Agreement; and

(2) The Vendor shall fully indemnify the Purchaser and keep the Purchaser fully and effectively indemnified in respect of all fees, costs and expenses (including legal fees) incurred by the Purchaser in connection with the exercise of its rights of specific performance.

Put Option

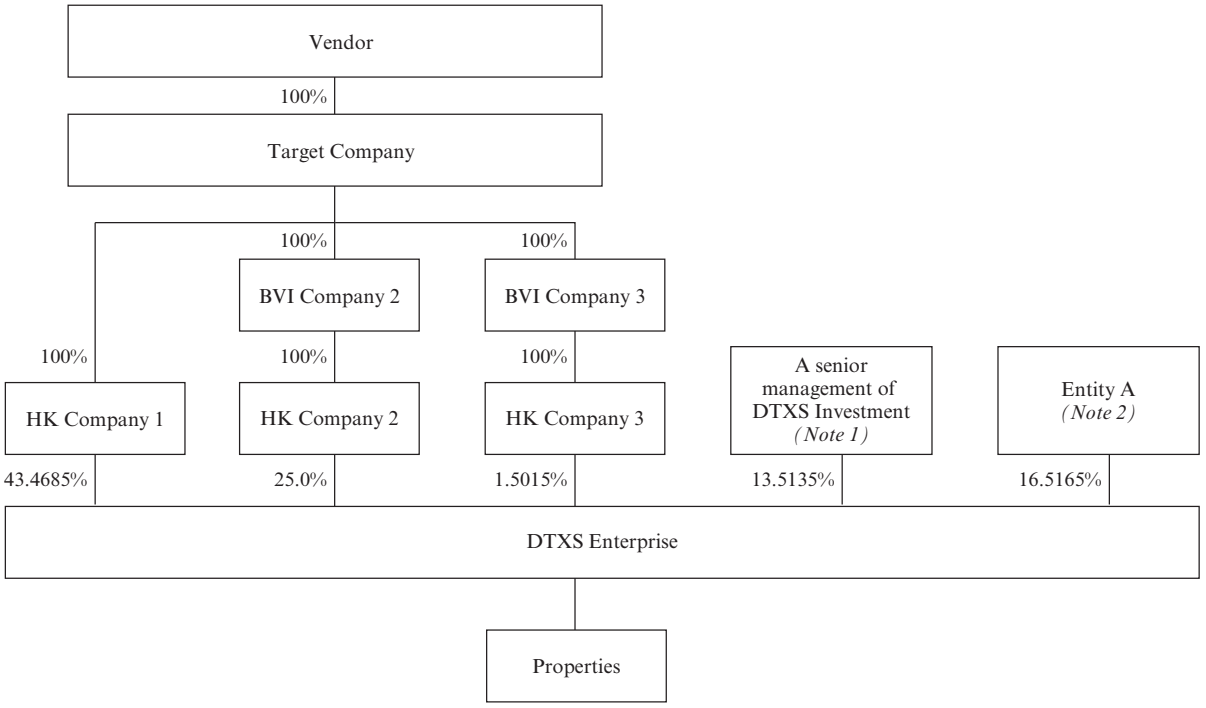
The Vendor has granted a put option to the Purchaser such that, if, within 12 months commencing from the Completion Date (or such longer period as the Purchaser and Vendor may agree), the Target Group fails to obtain the Properties Certificates or DTXS Enterprise's liabilities under the Guarantee Arrangements have not been fully released and discharged (the "Relevant Event"), the Purchaser is entitled to serve a notice on the Vendor within three months of the Relevant Event to require the Vendor to repurchase part or all of the Sale Shares, for a cash purchase price of, upon full exercise of the put option, 1.1 times the Consideration, calculated on a pro rata basis where the put option is partially exercised, such purchase price to be fully paid within 7 days of the notice (or such longer period as the Purchaser and Vendor may agree).

INFORMATION OF THE TARGET GROUP AND THE PROPERTIES

Corporate structure of the Target Group

Set out below is the corporate structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after the Completion.

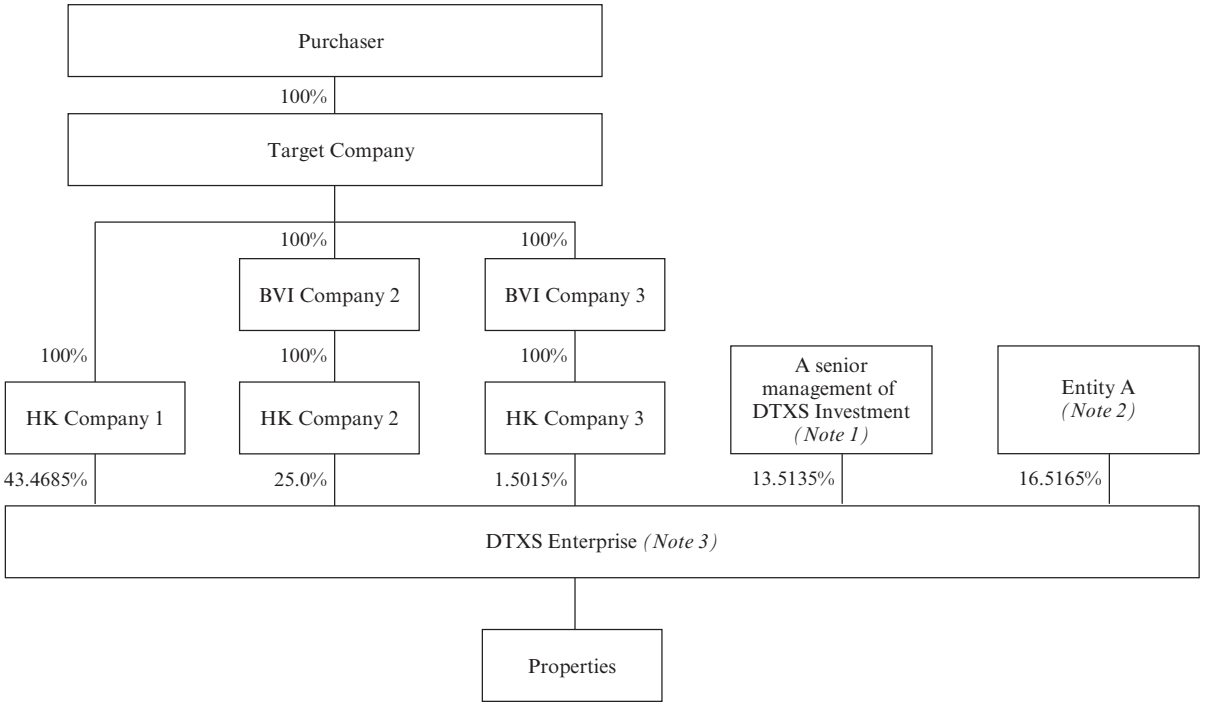
(i) Corporate structure of the Target Group as at the Latest Practicable Date



Note 1: 13.5135% of the registered capital of DTXS Enterprise is held on trust by a senior management of DTXS Investment for DTXS Investment.

Note 2: Entity A is an Independent Third Party. 16.5165% of the registered capital of DTXS Enterprise is held by Entity A which is a party to the Loan Agreement. Pursuant to the Loan Agreement, 16.5165% of the registered capital of DTXS Enterprise was transferred to Entity A as a security for the loan of RMB100,000,000 and the security will be released upon full repayment of the loan of RMB100,000,000. Upon full repayment of the loan of RMB100,000,000, such 16.5165% of the registered capital of DTXS Enterprise will be transferred from Entity A to two senior managements of DTXS Investment who will jointly hold 16.5165% of the registered capital of DTXS Enterprise on trust for DTXS Investment.

(ii) Corporate structure of the Target Group immediately after the Completion



Note 1: 13.5135% of the registered capital of DTXS Enterprise is held on trust by a senior management of DTXS Investment for DTXS Investment.

Note 2: Entity A is an Independent Third Party. 16.5165% of the registered capital of DTXS Enterprise is held by Entity A which is a party to the Loan Agreement. Pursuant to the Loan Agreement, 16.5165% of the registered capital of DTXS Enterprise was transferred to Entity A as a security for the loan of RMB100,000,000 and the security will be released upon full repayment of the loan of RMB100,000,000. Upon full repayment of the loan of RMB100,000,000, such 16.5165% of the registered capital of DTXS Enterprise will be transferred from Entity A to two senior managements of DTXS Investment who will jointly hold 16.5165% of the registered capital of DTXS Enterprise on trust for DTXS Investment.

Note 3: Immediately after the Completion, the Company will hold approximately 62.5% of the board seats of DTXS Enterprise.

The Target Company is an investment holding company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, the Target Company, through its wholly-owned subsidiaries, indirectly holds approximately 69.97% of the registered capital of DTXS Enterprise. Thus, it holds approximately 69.97% interest of the Properties.

DTXS Enterprise is a sino-foreign joint venture established in the PRC with limited liability and a registered capital of RMB166,500,000. It was established by DTXS group and the senior management of DTXS group in 2006 with the accumulated capital investment of RMB50,000,000. The Target Company has the Capital Injection Commitment to inject the outstanding registered capital of RMB116,500,000 into DTXS Enterprise through its wholly-owned subsidiaries, which represents the Target Company's

indirect proportionate equity interests in the total registered capital of DTXS Enterprise. Pursuant to the Share Purchase Agreement, the Purchaser will assume the Capital Injection Commitment upon the Completion. DTXS Enterprise is principally engaged in property development, property management and the development of Silk Road International Culture Center.

Properties owned by DTXS Enterprise

As at the Latest Practicable Date, the below properties are the major assets of DTXS Enterprise:

	Properties	Location	Usage	Approximate total GFA *(sq.m.)*
(i)	**Properties held for sale**			
	13 retail units of Buildings No. 3 and No. 4 of West Market Tao Yuan	Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	Commercial	3,826
	Remaining unsold units of Building No. 7 of West Market Tao Yuan	Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	Hotel usage building	6,580
	Remaining unsold units of West Market Jiajing	No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	Commercial, Residential and Car parking space	4,137
	Remaining unsold units of West Market Jiajun	No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	Commercial, Residential and Car parking space	10,267
(ii)	**Property held under development**			
	Land and buildings under development	No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	Commercial, Office and Car parking space	133,845

	Properties	Location	Usage	Approximate total GFA *(sq.m.)*
(iii)	**Property held for future development**			
	Portions of five parcels of land	North of South 2nd Ring and East of Tao Yuan South Road, and Dong Tao Yuan Village, Lianhu District, Xi'an City, Shaanxi Province, the PRC	Commercial, Office and Hotel	site area of 12,689

DTXS Enterprise owns the Properties which are located in close vicinity to the Tang West Market, Lianhu District, in Xi'an City, Shaanxi Province, the PRC. The Properties are currently in different stage of development including (i) properties held for sale; (ii) property held under development; and (iii) property held for future development. DTXS Enterprise has been planning to develop into the Silk Road International Culture Center with comprehensive cultural artworks operation, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is designed with three major features, 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.

The properties held for sale are being referred to 13 retail units of West Market Tao Yuan and the remaining unsold residential units, retail units, a hotel usage building and car parking space of West Market Tao Yuan, West Market Jiajun and West Market Jiajing respectively, with an aggregate GFA of approximately 24,813 sq.m. The Company noted that DTXS Enterprise is currently in the process to obtain certain Properties Certificates in relation to West Market Tao Yuan, West Market Jiajun and West Market Jiajing.

The property held under development is being developed into a commercial and office complex with total GFA of approximately 133,845 sq.m. which include a shopping mall with GFA of approximately 47,831 sq.m., retail units in the office buildings with GFA of approximately 1,971 sq.m., two blocks of office buildings with GFA of approximately 46,070 sq.m. and approximately 730 car parking spaces. As advised by the Vendor, as at the Latest Practicable Date, DTXS Enterprise conducted its topping-out ceremony for two blocks of office buildings and the pre-sale of these office units is expected to commence in the first half of 2020.

DTXS Enterprise also owns portions of five parcels of land with a total site area of approximately 12,689 sq.m. which will be developed into a commercial, office and hotel complex for commercial activities and tourism.

Property Certificates

As at the Latest Practicable Date, DTXS Enterprise is in the process to obtain and apply for the outstanding Property Certificates with the relevant authorities:

West Market Tao Yuan

- Construction project completion certificate for passing fire control assessments* (建設項目竣工消防驗收備案書) for two blocks of buildings of West Market Tao Yuan;

- Construction project planning inspection and clearance certificate* (建設工程竣工規劃驗收合格證) for three blocks of buildings of West Market Tao Yuan; and

- Construction project completion certificate* (建設工程竣工驗收備案表)

West Market Jiajing

- Construction project completion certificate* (建設工程竣工驗收備案表)

West Market Jiajun

- Construction project completion certificate* (建設工程竣工驗收備案表)

Once these outstanding property certificates are granted and approved, West Market Jiajing, West Market Jiajun and West Market Tao Yuan will proceed to apply for the relevant property ownership certificate* (房屋所有權證). The Target Group will submit the application of (i) the construction project completion certificate for passing fire control assessments of West Market Tao Yuan and the construction project completion certificate of West Market Jiajing and West Market Jiajun to the relevant authorities in the first half of 2020 and (ii) the remaining outstanding property certificates of West Market Tao Yuan to the relevant authorities in the second half of 2020. It is expected that the relevant property ownership certificates of West Market Tao Yuan, West Market Jiajing and West Market Jiajun will be obtained by the end of 2020.

Regarding these outstanding property certificates, the PRC legal adviser of the Company conducted interviews with the relevant authorities which confirmed that the risk of DTXS Enterprise to receive administrative penalty is considered remote. As advised by the PRC legal adviser, (i) in respect of the failure to obtain the construction project completion certificate before the transfer of the rights of the relevant properties, DTXS Enterprise shall be ordered to obtain the relevant certificate and may be subject to a penalty of not less than 2% but not more than 4% of the construction contract sum under the Regulation on the Quality Management of Construction Contracts* (《建設工程質量管理條例》); (ii) in respect of the failure to obtain the construction project completion certificate for passing fire control assessments before the use of the relevant properties, DTXS Enterprise shall be ordered to obtain the relevant certificate and may be subject to a penalty of not less than RMB30,000 but not more than RMB300,000 under the Fire Protection Law of the PRC* (《中華人民共和國消防法》); and (iii) in respect of the construction without

construction project planning permit* (建設工程規劃許可證) or the failure to carry out the construction in accordance to the planning under the construction project planning permit, DTXS Enterprise may, after having taken the corrective measures as requested by the relevant authorities within the deadline imposed by the relevant authorities, be fined 5% to 10% of the construction contract sum of the construction project failing to comply with the planning under the construction project planning permit under the Regulation of Xi'an City on Urban and Rural Planning* (《西安市城鄉規劃條例》). If DTXS Enterprise fails to take corrective measures as instructed by the relevant authorities, the relevant authorities may fine DTXS Enterprise 5% to 10% of the construction contract sum and demolish or confiscate the construction in question. DTXS Enterprise has obtained the relevant construction project planning permit. As mentioned above, DTXS Enterprise is currently working closely with the relevant authorities to obtain the outstanding certificates and the risk of DTXS Enterprise to receive administrative penalty is considered remote.

To safeguard the interests of the Company, pursuant to the Share Purchase Agreement, the Vendor has agreed to grant a put option to the Purchaser such that, if the Target Group fails to obtain the Properties Certificates of West Market Tao Yuan, West Market Jiajing and West Market Jiajun within 12 months commencing from the Completion Date (or such longer period as the Purchaser and the Vendor may agree), the Purchaser is entitled to fully or partially exercise the put option and requests the Vendor to repurchase part of or all of the Sales Shares for a cash purchase price of 1.1 times of the Consideration, calculated on a pro rata basis where the put option is partially exercised. Moreover, pursuant to the indemnity clause in the Share Purchase Agreement, the Vendor has undertaken that it will be solely liable for all the liabilities arising from the failure of obtaining any outstanding Properties Certificates within 12 months commencing from the Completion.

In view of (i) the protection mechanism under the put option clause and the indemnity clause; (ii) the PRC Legal Opinion, which concludes that there is no legal obstacles of obtaining the outstanding property certificates and the risk of receiving administrative penalty is remote; (iii) the fact that the application for the pre-sale permits for two blocks of office buildings inside the Silk Road International Culture Center has already been in the process; and (iv) the pre-sale time for these office units, which is expected to commence in the first half of 2020, the Directors considered that the risks associated with the outstanding property certificates were properly managed, as such they decided to proceed with the Proposed Acquisition before all the Properties Certificates have been obtained.

Financial information of Target Group

The audited consolidated financial information of Target Group (prepared in accordance with Hong Kong Financial Reporting Standards), for the years ended 31 December 2016, 2017 and 2018 and for the nine months ended 30 September 2019, respectively, are summarized as below:

	Year ended 31 December			Nine months ended 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	126,634	682,250	69,369	10,685
Profit/(loss) before tax	4,300	53,793	(11,516)	(12,516)
Profit/(loss) for the year/period	(3,362)	35,063	(11,538)	(10,508)

Based on the audited consolidated financial statements of the Target Group, the consolidated net asset value attributable to the owner of the Target Group as at 30 September 2019 is approximately HK$38.5 million.

Upon the Completion, (i) the Target Group (excluding DTXS Enterprise) will become wholly-owned subsidiaries of the Company, and (ii) DTXS Enterprise will become a non-wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated in the Group's financial statements.

GUARANTEE ARRANGEMENTS

On 15 April 2019, DTXS Enterprise entered into a guarantee agreement (the "Guarantee Agreement") with the Bank of Xi'an Co., Ltd. in relation to the provision of guarantee to a loan obtained by Xi'an Da Tang Xi Shi Property Limited* (西安大唐西市置業有限公司) ("DTXS Property"). DTXS Property, which is a non-wholly-owned subsidiary of DTXS Investment, is a company established in the PRC and principally engaged in real estate investment and development in the PRC. DTXS Property raised a loan with a principal amount of RMB300,000,000 from the Bank of Xi'an Co., Ltd. and its certain properties are pledged for the aforesaid loan. In view that DTXS Enterprise and DTXS Property are the fellow subsidiaries of DTXS Investment and the strong asset base of DTXS Enterprise, DTXS Enterprise provided a joint and several guarantee (the "Guarantee") for the loan of RMB300,000,000. In the meantime, DTXS Investment and DTXS Enterprise entered into a counter guarantee agreement (the "Counter Guarantee Agreement") in relation to the provision of an unconditional, irrevocable, joint and several counter guarantee (the "Counter Guarantee") in favour of DTXS Enterprise for its obligations under the Guarantee Agreement. The Guarantee and Counter Guarantee (the "Guarantee Arrangements") will be continuing upon the Completion.

The salient terms of the Guarantee Agreement are summarised as below:

Date:	15 April 2019
Parties:	(i) DTXS Enterprise; and (ii) Bank of Xi'an Co., Ltd.
Principal amount of the loan obtained by DTXS Property:	RMB300,000,000
Term of the loan:	36 months, being the period from 15 April 2019 to 14 April 2022
Guaranteed obligations:	DTXS Enterprise shall guarantee the obligations under the loan agreement including the respective principal amount, loan interest (including compound interest and default interest), compensation, penalty, liquidated damages, expenses from realization of debt rights and other expenses.
Guarantee period:	The guaranteed obligations shall be two years from the end of the term of the loan of RMB300,000,000. If the term of the loan agreement is extended or the amounts owed by DTXS Property under the loan agreement is declared due and repayable in advance of the maturity date, the guaranteed obligations shall be two years from the relevant extended or accelerated due date.
Method of the guarantee:	Joint and several liability

The salient terms of the Counter Guarantee Agreement are summarised as below:

Date:	15 April 2019
Parties:	(i) DTXS Enterprise; and (ii) DTXS Investment
Obligations under the Counter Guarantee:	DTXS Investment shall indemnify DTXS Enterprise for all liabilities and expenses which may be incurred by DTXS Enterprise under the Guarantee Agreement, including the respective principal amount, loan interest (including compound interest and default interest), compensation, penalty, liquidated damages, expenses from realization of debt rights and other expenses.

Guarantee period:	The obligations under the Counter Guarantee shall be two years from the date on which DTXS Enterprise, on behalf of DTXS Property, repays the principal amount of the loan obtained by DTXS Property, the loan interest and other related expenses.
Method of the guarantee:	Unconditional, irrevocable, joint and several liability

Having considered (i) the Guarantee Arrangements are pre-existing arrangement before the entering of the Share Purchase Agreement; and (ii) in any events that DTXS Enterprise's liabilities under the Guarantee Arrangements has not been fully released or discharged within 12 months commencing from the date of Completion will trigger the exercise of the put option by the Purchaser, the Directors are of the view that the Guarantee Arrangements are fair and reasonable.

Pursuant to the Conditions Precedent of the Share Purchase Agreement, the completion of the Proposed Acquisition is not conditional on the Guarantee Arrangements. Since DTXS Investment and DTXS Property are connected persons of the Company under the Listing Rules, the Guarantee Arrangements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules upon the Completion.

INFORMATION OF THE COMPANY

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; and (ii) e-Commerce, including making and sales of wine.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in the business of investment holding. The Purchaser is a direct wholly-owned subsidiary of the Company.

INFORMATION OF BANK OF XI'AN CO LTD

Bank of Xi'an Co., Ltd. is principally engaged in the business of banking and its shares are listed on the Shanghai Stock Exchange. The DTXS group is the second largest shareholder of Bank of Xi'an Co., Ltd., holding approximately 14% of its equity interest.

INFORMATION OF DTXS INVESTMENT

DTXS Investment is an investment holding company established in the PRC with limited liability, the equity interest of which is owned as to approximately 50.6%, 13.8%, 13.8%, 13.8% and 8.0% by Mr. Lu, Mr. Liang, Mr. Yang, Mr. Yu and NOHIP respectively. DTXS Investment is principally engaged in investment holding business, mainly culture-related business in the PRC.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of DTXS Investment. The Vendor is principally engaged in investment holding. DTXS Investment is an investment holding company established in the PRC with limited liability, the equity interest of which is owned as to approximately 50.6%, 13.8%, 13.8%, 13.8% and 8.0% by Mr. Lu, Mr. Liang, Mr. Yang, Mr. Yu and NOHIP, respectively. Mr. Lu, who is the chairman, the executive Director and the ultimate controlling shareholder of the Company, is also the founding chairman and a director of DTXS Investment.

DTXS International Holdings is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, 373,446,736 Shares, representing approximately 55.95% of the issued share capital of the Company, is owned by DTXS International Holdings. As such, DTXS International Holdings, the Vendor and DTXS Investment are connected persons of the Company under Chapter 14A of the Listing Rules.

Under the leadership of Mr. Lu, the DTXS group has developed into a privately owned modernized conglomerate with focuses on cultural industries, cultural heritage and museum operations, and financial investment that cover cultural industries park, tourism park, museums, international hotels, modern commerce, business relating to financing and cultural and tourism real estate operations. The DTXS group is the vice president unit of Chinese Association for International Understanding and China Chamber of International Commerce, the president unit of Non state Museums Committee of Chinese Museums Association and the president unit of Shaanxi Association of Cultural Industry* (陝西省文化產業協會).

Headquartered in Xi'an, the PRC, the DTXS group is the second largest shareholder of Bank of Xi'an Co., Ltd. holding approximately 14% of its equity interest. Bank of Xi'an Co., Ltd. is principally engaged in the business of banking and its shares are listed on the Shanghai Stock Exchange. Tang West Market Complex of Culture, Business and Tourism ("Tang West Market Complex"), which is built on the former site of the west market of Changan city of Tang dynasty, has been awarded numerous honorable titles, such as "National Cultural Industry Demonstration Base"* ("國家文化產業示範基地"), "National AAAA Tourist Scenic Spot", "Associate of National Intangible Cultural Heritage Protection Demonstration Base"* ("國家級非物質文化遺產生產性保護示範基地") and "Model Unit for Protection and Inheritance of Chinese Cultural Heritage"* ("中國文化遺產保護與傳承典範單位"). Tang West Market Complex is well recognized as a role model for Chinese cultural industries and the hub for commercial activities and tourism.

DTXS group pioneered the practice of protecting national historic and cultural heritages by private capital through development of distinctive cultural industries. It becomes a successful role model for the development of cultural industries and has produced positive and widespread influence over the PRC. DTXS group has been invited by many other regions to develop their local cultural projects, with a view to creating nationwide major cultural projects.

As a proactive response to the policy of The Belt and Road Initiative, in December 2015, under the strong support from relevant organizations such as China Council for the Promotion of International Trade, DTXS group, together with chambers of commerce from different countries, established Silk Road Chamber of International Commerce in Hong Kong, the PRC. It currently has 153 members from 81 countries, consisting of commerce associations of national level and regional organizations, and 58 city members from various countries, involving close to ten millions corporate members. It has also established six professional committees specializing in culture, commerce and trading, finance, transportation, energy and industrial park. It has successively signed the "Framework Agreement on Jointly Cooperation for Establishing an International Platform for Transnational Artwork Trading"* (《共同建設國際文化藝術品交易平台合作框架協議》) and the "Proposal for Jointly Establishing Rules and Standards of Transnational Artwork Trading"* (《共同構建國際文化藝術品交易規則和團體標準的倡議書》) and provides support for The Belt and Road Initiative.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in (i) auction business and arts and collections related business; and (ii) e-Commerce, including making and sales of wine.

With reference to the announcements of the Company dated 1 December 2017, 1 June 2018 and 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 parent company, and to develop businesses relating to cultural industry and financing industry, including operations and auction of cultural artworks, participation in the international artwork trading platform of the DTXS group, investment in cultural industrial parks and the development of experience in cultural tourism. It has been the Group's plan to strengthen its exposure in the cultural-related real estate investment and development in the strategically important regions in the PRC. The Properties are located at No 188 Laodong South Road and Tao Yuan South Road, in Lianhu District, Xi'an City. Lianhu District is one of the economic and culture hubs of Xi'an City and is currently undergoing rapid development. The Properties are closed to public transportation and in the vicinity of Tang West Market Complex and Fengqing Park, both of which are major tourist attractions in Xi'an City. Tang West Market Complex was built on the former site of the west market of Changan city of Tang dynasty which has been awarded numerous honorable titles, such as "National Cultural Industry Demonstration Base"* ("國家文化產業示範基地"), "National AAAA Tourist Scenic Spot", "Associate of National Intangible Cultural Heritage Protection Demonstration Base"* ("國家級非物質文化遺產生產性保護示範基地") and "Model Unit for Protection and Inheritance of Chinese Cultural Heritage"* ("中國文化遺產保護與傳承典範單位"). By the end of 2020, a new metro station will start serving the area of the Properties, and the pedestrian flow in this area will be furthered increased. The Properties are closed to Northwestern Polytechnic University and surrounded by residential properties. Currently, high-end shopping complex and office buildings have not yet set up in the surrounding area of the Properties. It will be advantageous for DTXS Enterprise being the first pioneer to build and establish a retail, commercial and residential complex in this area. Based on the current business plan of DTXS Enterprise, the Properties 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 designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street. Based on the development plan as at the Latest Practicable Date, Silk Road International Culture Center comprises three office buildings, a shopping mall and a five-star hotel. The three office buildings are estimated to have an aggregate GFA of approximately 120,000 sq.m.. As at the Latest Practicable Date, two blocks of office buildings had been conducted its topping-out ceremony. DTXS Enterprise is in the process to apply for the pre-sale permit for these two blocks of office buildings. The pre-sale of these office units is expected to commence in the first half of 2020. Adjacent to and below the office buildings, there will be a shopping mall with total estimated GFA of approximately 30,000 sq.m. and the major feature of the shopping mall is the European section of Silk Road Culture Street. The shopping mall will attract retail operators of local and international brands, food and beverage operators and cultural artworks-related operators. The shopping mall is expected to become one of Xi'an City leisure and tourism hotspots. Within the area of Silk Road International Culture Center, a five-star hotel with modern recreational facilities and meeting venue will be established and managed by an international hotel operator. In addition, DTXS Enterprise has planned to establish the Artwork Central Business District, which will provide business operation areas for artwork-related companies and organisations, in the Silk Road International Culture Center. The Artwork Central Business District will set up an integrated multi-purpose region for the comprehensive artwork industry chain, with its functions ranging from exhibitions and sales, pledges and pawns, displays and auctions, authentications and appraisals of artworks to art financing services, with a view to promoting the development of the cultural artworks operations and cultural artwork financing businesses in the region. With the collaboration of the management expertise of the Group, the Directors are confident to develop cultural artworks operations and cultural artwork financing businesses after the Completion.

The establishment of the headquarter of Silk Road Chamber of International Commerce may enhance the reputation of the office buildings in the Silk Road International Culture Center and may attract other members of Silk Road Chamber of International Commence to set up their offices in these office buildings. Mr. Lu is the founding chairman and a director of DTXS group, which is the developer and landlord of Tang West Market Complex. The DTXS group is a privately owned modernized conglomerate with focuses on cultural industries, cultural heritage and museum operations, and DTXS group is well-connected and resourceful in the field of cultural industry. The Company will make use of (i) business network and background of DTXS group in the cultural industry; and (ii) the reputation of Tang West Market Complex to promote and attract business partners and tenants to the Silk Road International Culture Center. The Directors believe that the Proposed Acquisition could enable the Group to leverage on the business network and resources of the parent company which can further contribute cultural factors to the Silk Road International Culture Centre to supplement each other and to fit in cultural characteristics to the Properties, thereby expanding the cultural business of the Group in collaboration with cultural projects which may attract cultural events and exhibition to be held in the Silk Road International Culture Centre.

Following the appointment of Mr. Wang Yong ("Mr. Wang") as the deputy chief executive officer of the Company with effect from 1 December 2019, the Company has further strengthened its management team in the cultural business operations. Mr. Wang has over 20 years of experience in cultural industry operations, specialized in relic protection management, relic and artwork authentication and art financing and investment. Mr. Wang is the vice chairman and associate researcher of the committee of Xi'an Tang West Market Museum* (西安大唐西市博物館), the chairman of DTXS International Auction Co., Ltd* (大唐西市國際拍賣有限公司), the secretary-general of Non State Museum Committee of Chinese Museums Association* (中國博物館協會非國有博物館專業委員會), the secretary-general of the Silk Road Committee of Dunhuang-Turfan Society* (中國敦煌吐魯番學會絲綢之路專業委員會), the deputy secretary-general of China Cultural Chamber of Commerce for the Private Sector* (中國民營文化產業商會), the member and deputy secretary-general of the Shaanxi Cultural Relics Committee* (陝西省文物鑒定委員會) and the member of the 13th Xi'an Municipal Committee of the Chinese People's Political Consultative Conference. He is the chairman of Beijing Phoenixstar International Auction Co., Ltd.* (北京景星麟鳳國際拍賣有限公司) and the chairman and general manager of Beijing Phoenixstar Information Consultancy Company Limited* (北京景星麟鳳資訊諮詢有限公司) since 2016, both of which are the subsidiaries of the Company. Mr. Wang is also the director of the art and cultural division of a subsidiary of the Company since 2017.

In addition, Mr. Wang Shaobin, who is currently a director of DTXS Enterprise, will continue to be part of the management team to oversee the development and operation of the Properties after the Completion. Mr. Wang Shaobin has been a director of DTXS Enterprise and involved in the development of the Properties since 2008. Mr. Wang Shaobin has extensive experience in cultural and property development industries operations, specialised in planning, operation and marketing of real estate projects. He obtained the EMBA in real estate from the School of Management of Xi'an Jiaotong University. Mr. Wang Shaobin is the vice chairman of Shaanxi Real Estate Chamber of Commerce. He has been awarded "Top Ten Outstanding Economic Figure of Shaanxi"* (陝西十大傑出經濟人物), "Top Ten Leading Figure of Shaanxi's Real Estate"* (陝西地產十大領袖人物) and "Leading Figure of Exhibition Industry of Xi'an City"* (西安市會展行業領軍人物).

The Directors believe that under the leadership of Mr. Lu, together with Mr. Wang and Mr. Wang Shaobin, the Company shall have the management expertise and competencies to lead and manage the operation of the Silk Road International Cultural Center after the Completion.

After the Completion, revenue of the Target Group will be mainly derived from the sale of the office units, rental income and hotel operating income. The Directors are of the view that various types of income will bring a long-term and sustainable income source to the Group. The Properties are located in Lianhu District and are closed to Xi'an Hi-tech Industries Development Zone which is a central business district of Xi'an City with high-end commercial buildings and luxury shopping malls. Having considered (i) the overall development plan of Silk Road International Culture Center; (ii) the branding and market position of the shopping mall and the five-star hotel; (iii) close proximity to Xi'an Hi-teach Industries Development Zone and Tang West Market Complex; and (iv) a new metro station serving the area of the Properties, the Company is of the view that the nature and

grading of the three office buildings is expected to be similar to the high-end offices located in Xi'an Hi-tech Industries Development Zone. The Company expects that the pricing strategy of these office buildings will consider the average office selling prices in Xi'an Hi-tech Industries Development Zone of around RMB20,000 per sq.m. with reference to a property research report prepared by a property research firm. The Company considers that the Proposed Acquisition is an ideal complement to its corporate goal.

According to the statistics published by Shaanxi Provincial Bureau of Statistics* (陝西省統計局), Shaanxi Province recorded GDP of approximately RMB2,444 billion in 2018, representing approximately 8.3% annual growth as compared to that in 2017. According to the statistics published by Shaanxi Government, Xi'an City recorded GDP of approximately RMB835 billion in 2018, representing an annual growth of approximately 8.2% as compared to that in 2017 and accounting for approximately 34.2% of the aggregate GDP of Shaanxi Province in 2018. A well-known real-estate research firm studied and identified the world's 20 most dynamic cities in which Xi'an City was ranked ninth among the 131 major established and emerging markets across the world. Located at the core position of the Silk Road economic belt, Xi'an City plays an important role in connecting the Asia-Pacific economic circle and the European economic circle. As the gateway to the ancient Silk Road and a key city in the government strategy of the Western China development, Xi'an City is an important economic hub and a platform for trading in the Western China, which has attracted financial and high-tech enterprises to set up their offices in Xi'an City. Xi'an City is also the home to a new breed of energetic tech-savvy firms. According to National Bureau of Statistics of China* (中華人民共和國國家統計局), the 2018 annual growth rate of GDP in the PRC was approximately 6.6%, while Xi'an City outperformed the national annual growth rate of GDP in 2018. In order to attract capital investment and talent to Xi'an City, Xi'an government has promulgated ten preferential policies covering various sectors including high-tech, advanced manufacturing, civil-military integration and financial services, etc. Xi'an government has planned to set up Science and Technology Industry Development Fund* (科技產業發展基金) (with approximately fund size of RMB100 billion) which will provide incentives of up to RMB5 million to enterprises which are operating in the high-tech, advanced manufacturing, creative, tourism, trade and logistics industries. Preferential subsidies bringing the tax rate down to 15% are also available. In addition, incentives and subsidies are also provided to individuals as part of the talent retention programme. According to the statistics published by Xi'an City Bureau of Statistics* (西安市統計局), the newly registered entities reached 126,500 in 2018, representing a year-on-year increase by approximately 36.5% and the fixed asset investments in Xi'an City recorded an annual growth rate by approximately 8.4%. Tourism in Xi'an City also demonstrated a positive momentum. The number of international and domestic tourists reached approximately 247 million and contributed approximately RMB255 billion of revenue to the tourism industry. The robust economic growth in Xi'an City together with the government supportive policies attracted investments to Xi'an City and therefore creates a stronger demand on the commercial property market. The abovementioned statistics and favourable government policies reflected the positive prospect and potential of the real estate industry in Xi'an City. Furthermore, the 13th Five-Year Plan indicated that "the cultural industry will become a pillar industry of the national economy by 2020." In 2017, the Shaanxi Provincial Committee and the Provincial Government issued the Policies and Measures for Further

Accelerating the Development of the Cultural Industry in Shaanxi* (《關於進一步加快陝西文化產業發展的若干政策措施》). According to the requirements in the policies, the added value of the cultural industry will account for approximately 6% of the province's GDP and achieve an average annual growth rate of more than approximately 15% by 2020.

Having considered (i) the location and the future development plan of the Properties; (ii) the Proposed Acquisition will diversify the business of the Group; (iii) the growing economy of Xi'an City; and (iv) the supporting national policy to the cultural industry, the Company believes that the Proposed Acquisition will allow the Group to leveraging on the background of its controlling shareholders to capture the historic opportunities arising from the booming development of the cultural industries in the PRC, which will serve as a driving force for the development of the Group's relevant culture industries as well as providing a valuable opportunity for the Group to participate in the construction of Silk Road International Cultural Center that features all-round cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. It is expected that DTXS Enterprise will generate stable revenue for the Group upon the completion of its cultural-related real estate project. Meanwhile, this business model of DTXS Enterprise provides strong and sustainable development.

The Directors believe that the Proposed Acquisition is not only a viable proposition, but a potentially rewarding one. In addition, the Proposed Acquisition will significantly broaden the asset base of the Group through the harvesting of the property development projects under DTXS Enterprise. In addition, the existing land bank of DTXS Enterprise will bring new business opportunities and thus benefit the Group in numerous ways. The Directors are of the view that the terms of the Share Purchase Agreement together with the Guarantee Arrangement as a whole are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

As (i) Mr. Lu, being the chairman, an executive Director and the ultimate controlling shareholder of the Company, the is also a director of DTXS Investment, the Vendor and DTXS International Holdings and the shareholder of DTXS Investment; (ii) Mr. Yang, being an executive Director, is also the shareholder of DTXS Investment; and (iii) Mr. Wong Kwok Tung Gordon Allan, being an executive Director and deputy chief executive officer of the Company, is also the director of the Vendor, DTXS International Holdings, each of the member of the Target Group and the Purchaser, all of the abovementioned Directors are deemed to be materially interested in (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements. Accordingly, each of Mr. Lu, Mr. Yang and Mr. Wong Kwok Tung Gordon Allan has abstained from voting on the Board resolutions approving (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Upon the Completion, (i) the Target Group (excluding DTXS Enterprise) will become wholly-owned subsidiaries of the Company, and (ii) DTXS Enterprise will become a non-wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated in the Group's financial statements.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular which illustrates the effect of the Completion on the assets and liabilities of the Enlarged Group, assuming the Completion had taken place on 30 June 2019, the total assets of the Enlarged Group would have been increased by approximately HK$931.6 million from approximately HK$784.3 million to approximately HK$1,715.9 million and the total liabilities of the Enlarged Group would have been increased by approximately HK$1,038.2 million from approximately HK$116.7 million to approximately HK$1,154.9 million. The Company expects that the net assets of the Enlarged Group will be decreased by approximately HK$106.6 million as a result of the Proposed Acquisition.

Earnings

Upon the Completion, the revenue and expenses of the Target Group will be recognised in the Group's result for the year ending 31 December 2020.

According to the 2018 annual report of the Company for the year ended 31 December 2018, the total loss attributable to owners of the Company for the year ended 31 December 2018 was amounted to approximately HK$126.9 million. The attention of the Shareholders is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

The details of the financial effect of the Proposed Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to this circular for illustration purpose only.

RISK FACTORS IN RELATION TO THE TARGET GROUP

The Company sets out below the major risk factors in relation to the Target Group and the property development industry in the PRC for the Shareholder's attention. The Directors assessed and believed that there are certain major risks involved in the operation of the Target Group which includes, but is not limited to, the following:

(i) The Target Group is exposed to the economic and property market conditions in Shaanxi Province, the PRC.

The Properties are all located in Xi'an City, Shaanxi Province, the PRC, which exposes the Target Group to the risk of a downturn in economic and property market conditions in Shaanxi Province. The value of the Properties may be adversely affected by a number of local property market conditions, such as oversupply of commercial properties, the performance of other competing commercial properties and lower demand for commercial space.

The Target Group's business, financial conditions and results of operations also depend, to a large extent, on the performance of the economy of Shaanxi Province. An economic downturn or a downturn in the property market in Shaanxi Province could adversely affect the Target Group.

There are also numerous commercial buildings, residential buildings, car park space and hotel usage buildings in Shaanxi Province that may compete with the Properties for tenants and property buyers which may cause downward pressure on the property selling price and rental.

(ii) Changes in laws and government policies relating to the property development industry in the PRC may affect the business operations of the Target Group.

Any changes in law and government policies relating to the property development industry in the PRC may affect the business operations of the Target Group. There can be no assurance that the Target Group will be able to obtain all required permits and complete all necessary filings, renewals and registrations on a timely basis for the Properties in the event of occurrence of factors, for example, changes in laws and regulations, which is beyond the control and anticipation of the Target Group. If the Target Group fails to renew the required licenses in a timely manner or obtain or renew any licenses and approvals, the Target Group may be subject to fines, suspension of the non-compliant operations or claims for compensation of any economic loss suffered by the contractors, property buyers, tenants or other relevant parties.

(iii) The Target Group is unable to successfully complete the construction on time.

The Properties include (i) properties under development with GFA approximately 133,845 sq.m, which is currently under construction, and (ii) portions of five parcels of land with a site area of approximately 12,689 sq.m, which is in the preliminary planning stage and is in the process to obtain the necessary licenses and approvals to commence the construction. The construction and development of these property projects require substantial capital expenditures prior to and during the construction period and may take longer than 12 months before these property projects generates cash inflow to the Group through pre-sale or sale. The progress and costs of these property projects may be affected by factors including (a) delay in obtaining necessary certificates, licenses, permits or approval from government authorities; (b) changes in market conditions; (c) increase in cost of sub-contractors, materials, equipment and skilled labour; and (d) adverse weather conditions. In view of the above, the Target Group's inability to complete the property projects as planned may have a material adverse effect on the Target Group's business, financial conditions, results of operations and prospects.

Moreover, during the construction and development period of the property projects, no sales revenue or rental income will be generated by them. Such period may be prolonged if the construction period is delayed. There is a risk that, given the lengthy construction period, the commercial and residential property market may deteriorate, in which case the Target Group's financial return may be less than expected.

IMPLICATIONS UNDER THE LISTING RULES

The Vendor is a direct wholly-owned subsidiary of DTXS Investment. DTXS Investment is an investment holding company established in the PRC with limited liability, the equity interest of which is owned as to approximately 50.6%, 13.8%, 13.8%, 13.8% and 8.0% by Mr. Lu, Mr. Liang, Mr. Yang, Mr. Yu and NOHIP, respectively. DTXS International Holdings, the controlling shareholder of the Company, is a direct wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, 373,446,736 Shares, representing approximately 55.95% of the issued share capital of the Company, is owned by DTXS International Holdings. As such, DTXS International Holdings, the Vendor and DTXS Investment are connected persons of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition under Rule 14.07 of the Listing Rules exceed 25% but is less than 100% and the Consideration and the Capital Injection Commitment in aggregate are more than HK$10,000,000, the Proposed Acquisition constitutes a major transaction and a connected transaction of the Company and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

In respect of the Guarantee Arrangements, as DTXS Investment and DTXS Property are connected persons of the Company under the Listing Rules, the Guarantee Arrangements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules upon the Completion.

As one or more of the applicable percentage ratios in respect of the Guarantee Arrangements under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Guarantee Arrangements constitutes a discloseable transaction and a connected transaction of the Company. Therefore, the Guarantee Arrangements is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

An Independent Board Committee has been formed to advise and provide recommendation to the Independent Shareholders in respect of (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

First Shanghai has been engaged as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements and the manner of voting by the Independent Shareholders on the relevant resolution. The letter from the Independent Financial Adviser is set out on pages 36 to 66 of this circular.

SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

As at the Latest Practicable Date, DTXS International Holdings was interested in 373,446,736 Shares representing approximately 55.95% of the total issued share capital of the Company and Mr. Lu was interested in 4,996,000 Shares representing approximately 0.75% of the total issued share capital of the Company. As DTXS International Holdings, the controlling shareholder of the Company, is a direct wholly-owned subsidiary of the Vendor and Mr. Lu is a director and shareholder of DTXS Investment and a director of the Vendor, each of Mr. Lu, DTXS International Holdings and their respective close associates, holding in aggregate 378,442,736 Shares representing approximately 56.70% of the total issued share capital of the Company, are deemed to be materially interested in and are required to abstain from voting on the relevant resolution(s) at the SGM approving (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements. Save as disclosed, to the best knowledge, information and belief of the Company, there are no other Shareholders and/or their close associates who have a material interest in the Proposed Acquisition together with the Guarantee Arrangements and thus are required to abstain from voting at the SGM; and all Shareholders and their close associates with a material interest in the Proposed Acquisition together with the Guarantee Arrangements will abstain from voting on the relevant resolution at the SGM.

A notice convening the SGM to be held at DTXS Hong Kong Art Central Business District, G/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 11 March 2020 is set out from pages SGM-1 to SGM-3 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 (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements are entered into on normal commercial terms, and even though the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms and conditions contained therein are fair and reasonable and 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 resolution(s) to be proposed at the SGM to approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 of this circular and the letter from the Independent Financial Adviser set out on pages 36 to 66 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements and the principal factors considered by it in arriving at its recommendation.

FURTHER INFORMATION

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

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

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)

21 February 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE GUARANTEE ARRANGEMENTS

We refer to the circular of the Company dated 21 February 2020 (the "Circular") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

For the purposes of the Listing Rules, we have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements as a whole are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We are also required to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

Your attention is drawn to the letter from the Board set out on pages 7 to 33 of the Circular and the letter from the Independent Financial Adviser set out on pages 36 to 66 of the Circular, which contains, among other matters, its advice to the Board and the Independent Shareholders in connection with (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements and the principal factors considered by it in arriving at its recommendation.

Having considered the terms of the Share Purchase Agreement and the Guarantee Arrangements, and the advice of the Independent Financial Adviser, we consider that (i) the Share Purchase Agreement and the transaction contemplated thereunder; together with (ii) the Guarantee Arrangements are entered into on normal commercial terms, and even though the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms and conditions contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

Yours faithfully,
Independent Board Committee

Mr. Cheng Yuk Wo **Mr. Tsui Yiu Wa, Alec** **Mr. Tse Yung Hoi** **Mr. Wang Shi**
Independent Non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai setting out their opinion regarding (i) the Proposed Acquisition pursuant to the Share Purchase Agreement; together with (ii) the Guarantee Arrangements, for the purpose of inclusion in this circular.

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

21 February 2020

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) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO GUARANTEE ARRANGEMENTS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Proposed Acquisition pursuant to the Share Purchase Agreement; together with (ii) the Guarantee Arrangements, details of which are set out in a circular dated 21 February 2020 (the "Circular") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 29 November 2019, the Purchaser entered into the Share Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target Company at the Consideration of RMB190,000,000 (equivalent to approximately HK$211,669,000). Pursuant to the Share Purchase Agreement, the Purchaser has agreed to assume the Capital Injection Commitment from the Vendor to contribute capital of approximately RMB116,500,000 (equivalent to approximately HK$129,786,000) to DTXS Enterprise upon the Completion.

On 15 April 2019, DTXS Enterprise entered into the Guarantee Agreement with the Bank of Xi'an Co., Ltd. in relation to the provision of guarantee to a loan obtained by DTXS Property. DTXS Property raised a loan with a principal amount of RMB300,000,000 from the Bank of Xi'an Co., Ltd. and its certain properties are pledged for the aforesaid loan. In view that DTXS Enterprise and DTXS Property are the fellow subsidiaries of DTXS Investment and the strong asset base of DTXS Enterprise, DTXS Enterprise provided a joint and several guarantee for the loan of RMB300,000,000 in full. In the meantime, DTXS Investment and DTXS Enterprise entered into the Counter Guarantee Agreement in relation to the provision of an unconditional, irrevocable, joint and several counter guarantee in favour of DTXS Enterprise for its obligations under the Guarantee Agreement. The Guarantee Arrangements will be continuing upon the Completion.

LISTING RULES IMPLICATIONS

The Vendor is a direct wholly-owned subsidiary of DTXS Investment. DTXS Investment is an investment holding company established in the PRC with limited liability, the equity interest of which is owned as to approximately 50.6%, 13.8%, 13.8%, 13.8% and 8.0% by Mr. Lu, Mr. Liang, Mr. Yang, Mr. Yu and NOHIP, respectively. DTXS International Holdings, the controlling shareholder of the Company, is a direct wholly-owned subsidiary of the Vendor. As the Latest Practicable Date, 373,446,736 Shares, representing approximately 55.95% of the issued share capital of the Company, is owned by DTXS International Holdings. As such, DTXS International Holdings, the Vendor and DTXS Investment are connected persons of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition under Rule 14.07 of the Listing Rules exceed 25% but is less than 100% and the Consideration and the Capital Injection Commitment in aggregate are more than HK$10,000,000, the Proposed Acquisition constitutes a major transaction and a connected transaction of the Company and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

In respect of the Guarantee Arrangements, as DTXS Investment and DTXS Property are connected persons of the Company under the Listing Rules, the Guarantee Arrangements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules upon the Completion.

As one or more of the applicable percentage ratios in respect of the Guarantee Arrangements under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Guarantee Arrangements constitutes a discloseable transaction and a connected transaction of the Company. Therefore, the Guarantee Arrangements is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

The SGM is convened for the Independent Shareholders to consider and if thought fit, approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

As DTXS International Holding, the controlling shareholder of the Company, is a direct wholly-owned subsidiary of the Vendor and Mr. Lu is a director and shareholder of DTXS Investment and a director of the Vendor, each of Mr. Lu, DTXS International Holding and their respective close associates are deemed to be materially interested in and are required to abstain from voting on the relevant revolutions at the SGM approving (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

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, Mr. Tse Yung Hoi and Mr. Wang Shi, has been established to consider the Share Purchase Agreement and the transactions contemplated thereunder (together with the Guarantee Arrangements) and to advise the Independent Shareholders as to whether (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also required to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Proposed Acquisition pursuant to the Share Purchase Agreement (together with the Guarantee Arrangements), are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) whether or not the entering into of the Share Purchase Agreement (together with the Guarantee Arrangements) is in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in relation to the ordinary resolution to be proposed for approving the Share Purchase Agreement and the transactions contemplated thereunder (together with the Guarantee Arrangements) at the SGM.

OUR INDEPENDENCE

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

The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for one occasion (i.e. mainly in relation to the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for (1) a proposed issue of New Shares under Specific Mandate; and (2) a possible connected transaction in relation to grant of Put Option by Controlling Shareholder) as detailed in the circular of the Company dated 7 August 2019. Given (i) our independent role in that previous engagement; (ii) none of the members of our parent group is a direct party to the Share Purchase Agreement (together with the Guarantee Arrangements); and (iii) our fees for this present engagement in addition to that previous engagement represented an insignificant percentage of revenue of our parent group, we consider that the said previous engagement in August 2019 would never affect our independence to form our opinion in respect of the entering into of the Share Purchase Agreement (together with the Guarantee Arrangements), and that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and the management of the Group (the "Management"). We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular.

We consider that we have (i) obtained all information and documents of the Group and the Target Group relevant to an assessment of the fairness and reasonableness of the terms of the Proposed Acquisition (together with the Guarantee Arrangements); (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Proposed Acquisition (together with the Guarantee Arrangements); (iii) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Proposed Acquisition (together with the Guarantee Arrangements); and (iv) reviewed the opinion and valuation of the Properties as at 30 November 2019 relevant to the Proposed Acquisition provided by the Valuer (the "Valuation"), including reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report (the "Valuation Report"), opinion or statement). Based on the foregoing, we confirm that we

have taken all reasonable steps, which are applicable to the Proposed Acquisition (together with the Guarantee Arrangements), as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

We consider that we have reviewed sufficient information, including financial information of the Target Group that are to be ultimately acquired by the Group, to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and the Management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed and we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by the Group. All the Directors jointly and severally 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, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group, the Target Group and the Enlarged Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to (i) the Proposed Acquisition pursuant to the Share Purchase Agreement; together with (ii) the Guarantee Arrangements, we have considered 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; and (ii) e-Commerce, including making and sales of wine.

2. Financial information on the Group

Overview

The Group has recorded net losses for the past few full 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, though it had recorded some minimal profit during the six months ended 30 June 2019. The Group's existing scale of operations in recent years has been limited and its profitability was not concrete

and yet to be improved. The Group had incurred operating cash outflows for the past three FYs from 2016 to 2018. Despite the fact that the Group had been loss making for the past three FYs from 2016 to 2018 and had operating cash outflow positions for the past three FYs from 2016 to 2018, the Group had a relatively stronger net current asset position as at 30 June 2019. 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 operation.

Review of operating performance

Set out below is a summary of the audited/unaudited consolidated financial information of the Group for each of the two FYs 2017 and 2018 and the six months ended 30 June 2019 as extracted from the annual report of the Company for the FY 2018 (the "Annual Report") and its interim report for the six months ended 30 June 2019 (the "Interim Report"):

	For the FY ended 31 December		**For the six months ended 30 June**
	2017	**2018**	**2019**
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue from continuing operations	168,316	149,833	99,400
(Loss)/profit from operations	(65,072)	(106,740)	4,995
(Loss)/profit before taxation	(67,824)	(109,034)	3,372
Net (loss)/profit for the year/period	(64,790)	(128,906)	2,981

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.

Net 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.

Six months ended 30 June 2019

The Group had recorded revenue from continuing operations of approximately HK$116.4 million (2018: approximately HK$89.9 million) with a net profit of approximately HK$3.0 million (2018: loss of approximately HK$33.6 million) for the six months ended 30 June 2019.

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 and the unaudited consolidated financial positions of the Group as at 30 June 2019 as extracted from the Annual Report and the Interim Report.

	As at 31 December		**As at 30 June**
	2017	**2018**	**2019**
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	540,799	409,080	397,182
Current assets	404,063	420,616	387,132
Total assets	944,862	829,696	784,314
Non-current liabilities	(36,348)	(22,992)	(25,112)
Current liabilities	(96,734)	(140,842)	(91,608)
Total liabilities	(133,082)	(163,834)	(116,720)
Total equity	811,780	665,862	667,594
Equity attributable to owners of the Company (i.e. also known as net asset value of the Group)	796,602	656,325	659,705
Bank balances and cash	72,914	54,437	28,422
Net current assets	307,329	279,774	295,524
Current ratio	4.2 times	3.0 times	4.2 times
Gearing ratio	4.8%	8.5%	8.9%
Net cash used in operating activities	(209,976)	(41,971)	N/A
Net cash (used in)/from investing activities	(16,686)	7,052	N/A
Net cash from financing activities	27,716	16,471	N/A

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 position 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 whist 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.

As at 30 June 2019 versus 31 December 2018

As at 30 June 2019, the Group had current assets of approximately HK$387.1 million (31 December 2018: approximately HK$420.6 million), and current liabilities of approximately HK$91.6 million (31 December 2018: approximately HK$140.8 million), representing a net current asset position and current ratio of approximately HK$295.5 million (31 December 2018: approximately HK$279.8 million) and approximately 4.2 times (31 December 2018: approximately 3.0 times), respectively. The Group's current ratio was well above 1.0 times as at 31 December 2018 and 30 June 2019, indicating that the Group's liquidity position was healthy. As at 30 June 2019, the Group had bank balances and cash of approximately HK$28.4 million (31 December 2018: approximately HK$54.4 million).

The Group's total borrowings amounted to approximately HK$58.6 million as at 30 June 2019 (31 December 2018: approximately HK$55.9 million). The Group's gearing ratio as at 30 June 2019 accounted for approximately 8.9% (31 December 2018: approximately 8.5%), which is calculated as a percentage of total borrowings over net asset value of the Group as at 31 December 2018 and 30 June 2019. The slight increase in the gearing ratio of the Group as at 30 June 2019 was

mainly due to the increase in total borrowings by approximately HK$2.7 million for the six months ended 30 June 2019. However, the Group's gearing ratio can be regarded as low and healthy over the two year/period 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.

During 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. The Group will continue to refine its operations and business structure, and promote its business development in a prudent manner. Leveraging with the Proposed Acquisition, the Board is optimistic about the participation in the construction 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 will allow the Group to capture the historic opportunities arising from the booming development of the cultural industries in the PRC. It is expected that the project will generate stable revenue upon its completion, providing strong and sustainable development for the Group.

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 parent company, and to develop businesses around the cultural industries and business relating to financing, 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.

Conclusion

Having considered that (i) the Group's loss-making performance for the past three FYs from 2016 to 2018 though it had recorded some profits during the six months ended 30 June 2019; (ii) the Group's operating cash outflow positions for the past three FYs from 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 30 June 2019; and (b) relatively lower gearing positions in the recent years because of its persistent healthier balance sheet positions, we consider that it is necessary and justifiable for the Group to better equip itself for capturing sound business development opportunity so as proactively enriching its business direction/coverage for long-term business development.

3. Information on the Purchaser

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in the business of investment holding. The Purchaser is a direct wholly-owned subsidiary of the Company.

4. Information on the Vendor

The Vendor is an investment holding company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of DTXS Investment. The Vendor is principally engaged in investment holding. DTXS Investment is an investment holding company established in the PRC with limited liability, the equity interest of which is owned as to approximately 50.6%, 13.8%, 13.8%, 13.8% and 8.0% by Mr. Lu, Mr. Liang, Mr. Yang, Mr. Yu and NOHIP, respectively. Mr. Lu, who is the chairman, the executive Director and the ultimate controlling shareholder of the Company, is also the founding chairman and a director of DTXS Investment.

DTXS International Holdings is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, 373,446,736 Shares, representing approximately 55.95% of the issued share capital of the Company, is owned by DTXS International Holdings. As such, DTXS International Holdings, the Vendor and DTXS Investment are connected persons of the Company under Chapter 14A of the Listing Rules. Please refer to the "Letter from the Board" of the Circular (the "Board Letter") for more details of the Vendor's background.

5. Background of the Target Group

General background

The Target Company is an investment holding company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, the Target Company, through its wholly-owned subsidiaries, indirectly holds approximately 69.97% of the registered capital of DTXS Enterprise. Thus, it holds approximately 69.97% interest of the Properties.

DTXS Enterprise is a sino-foreign joint venture established in the PRC with limited liability and a registered capital of RMB166,500,000. It was established by DTXS group and the senior management of DTXS group in 2006 with the accumulated capital investment of RMB50,000,000. The Target Company has the Capital Injection Commitment to inject the outstanding registered capital of RMB116,500,000 into DTXS Enterprise through its wholly-owned subsidiaries, which represents the Target Company's indirect proportionate equity interests in the total registered capital of DTXS Enterprise. Pursuant to the Share Purchase Agreement, the Purchaser will assume the Capital Injection Commitment upon the Completion. DTXS Enterprise is principally engaged in property development, property management and the development of Silk Road International Culture Center.

DTXS Enterprise owns the Properties which is located in the Tang West Market in Xi'an City, Shaanxi Province, the PRC and is currently in different stage of development including (i) properties held for sale; (ii) property held under development; and (iii) property held for future development. DTXS Enterprise has been planning to develop into the Silk Road International Culture Center with comprehensive cultural artworks operation, cultural artwork financing and Silk Road international cultural entertainment complex. The Silk Road International Culture Center is designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street.

Please refer to the Board Letter and/or the Valuation Report as set out in the Appendix V to the Circular for a full list and details of the Properties.

Financial information

The audited consolidated financial information of Target Group (prepared in accordance with Hong Kong Financial Reporting Standards), for each of the three FYs 2016 to 2018 and for the nine months ended 30 September 2019, respectively, are summarized as below.

	Year ended 31 December			**Nine months ended 30 September**
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	126,634	682,250	69,369	10,685
Net profit/(loss) before tax	4,300	53,793	(11,516)	(12,516)
Net (loss)/profit after tax	(3,362)	35,063	(11,538)	(10,508)
(Loss)/profit attributable to owners of the parent	(2,323)	24,007	(7,914)	(7,356)

Based on the audited consolidated financial statements of the Target Group, the consolidated net asset value attributable to the owner of the Target Company was approximately HK$38,531,000 as at 30 September 2019.

Upon the Completion, (i) the Target Group (excluding DTXS Enterprise) will become wholly-owned subsidiaries of the Company, and (ii) DTXS Enterprise will become a non-wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated in the Group's financial statements.

Please refer to the "Accountants' report on the Target Group" and "Management discussion and analysis of the Target Group" as set out in Appendices II and III to the Circular, respectively, for more details of the financial information of the Target Group.

6. Reasons for and benefits of the Proposed Acquisition

As mentioned in the Board Letter, 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 parent company, and to develop businesses relating to cultural industry and financing industry, including operations and auction of cultural artworks, participation in the international artwork trading platform of the DTXS group, investment in cultural industrial parks and the development of experience in cultural tourism. It has been the Group's plan to strengthen its exposure in the cultural-related real estate investment and development in the strategically important regions in the PRC. The Properties are located at No 188 Laodong South Road and Tao Yuan South Road, in Lianhu District, Xi'an City. Lianhu District is one of the economic and culture hubs of Xi'an City and is currently undergoing rapid development. The Properties are closed to public transportation and in the vicinity of Tang West Market Complex and Fengqing Park, both of which are major tourist attractions in Xi'an City. Tang West Market Complex was built on the former site of the west market of Changan city of Tang dynasty which has been awarded numerous honorable titles, such as "National Cultural Industry Demonstration Base"* ("國家文化產業示範基地"), "National AAAA Tourist Scenic Spot", "Associate of National Intangible Cultural Heritage Protection Demonstration Base"* ("國家級非物質文化遺產生產性保護示範基地") and "Model Unit for Protection and Inheritance of Chinese Cultural Heritage"* ("中國文化遺產保護與傳承典範單位"). By the end of 2020, a new metro station will start serving the area of the Properties, and the pedestrian flow in this area will be furthered increased. The Properties are closed to Northwestern Polytechnic University and surrounded by residential properties. Currently, high-end shopping complex and office buildings have not yet set up in the surrounding area of the Properties. It will be advantageous for DTXS Enterprise being the first pioneer to build and establish a retail, commercial and residential complex in this area. Based on the current business plan of DTXS Enterprise, the Properties have 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 designed with three major features, namely (i) the headquarter of Silk Road Chamber of International Commerce; (ii) Artwork Central Business District; and (iii) the European section of Silk Road Culture Street. Based on the development plan as at the Latest Practicable Date, Silk Road International Culture Center comprises three office buildings, a shopping mall and a five-star hotel. The three office buildings are estimated to have an aggregate GFA of approximately 120,000 sq.m.. As at the Latest Practicable Date, two blocks of office buildings had been conducted its topping out ceremony. DTXS Enterprise is in the process to apply for the pre-sale permit for these two blocks of office buildings. The pre-sale of these office units is expected to commence in the first

half of 2020. Adjacent to and below the office buildings, there will be a shopping mall with total estimated GFA of approximately 30,000 sq.m. and the major feature of the shopping mall is the European section of Silk Road Culture Street. The shopping mall will attract retail operators of local and international brands, food and beverage operators and cultural artworks-related operators. The shopping mall is expected to become one of Xi'an leisure and tourism hotspots. Within the area of Silk Road International Culture Center, a five-star hotel with modern recreational facilities and meeting venue will be established and managed by an international hotel operator. In addition, DTXS Enterprise has planned to establish the Artwork Central Business District, which will provide business operation areas for artwork-related companies and organisations, in the Silk Road International Culture Center. The Artwork Central Business District will set up an integrated multi-purpose region for the comprehensive artwork industry chain, with its functions ranging from exhibitions and sales, pledges and pawns, displays and auctions, authentications and appraisals of artworks to art financing services, with a view to promoting the development of the cultural artworks operations and cultural artwork financing businesses in the region. With the collaboration of the management expertise of the Group, the Directors are confident to develop cultural artworks operations and cultural artwork financing businesses after the Completion.

The establishment of the headquarter of Silk Road Chamber of International Commerce may enhance the reputation of the office buildings in the Silk Road International Culture Center and may attract other members of Silk Road Chamber of International Commence to set up their offices in these office buildings. Mr. Lu is the founding chairman and a director of DTXS group, which is the developer and landlord of Tang West Market Complex. The DTXS group is a privately owned modernized conglomerate with focuses on cultural industries, cultural heritage and museum operations, and DTXS group is well-connected and resourceful in the field of cultural industry. The Company will make use of (i) business network and background of DTXS group in the cultural industry; and (ii) the reputation of Tang West Market Complex to promote and attract business partners and tenants to the Silk Road International Culture Center. The Directors believe that the Proposed Acquisition could enable the Group to leverage on the business network and resources of the parent company which can further contribute cultural factors to the Silk Road International Culture Centre to supplement each other and to fit in cultural characteristics to the Properties, thereby expanding the cultural business of the Group in collaboration with cultural projects which may attract cultural events and exhibition to be held in the Silk Road International Culture Centre.

Following the appointment of Mr. Wang Yong ("Mr. Wang") as the deputy chief executive officer of the Company with effect from 1 December 2019, the Company has further strengthened its management team in the cultural business operations. Mr. Wang has over 20 years of experience in cultural industry operations, specialized in relic protection management, relic and artwork authentication and art financing and investment. Mr. Wang is the vice chairman and associate researcher of the committee of Xi'an Tang West Market Museum* (西安大唐西市博物館), the chairman of DTXS International Auction Co., Ltd* (大唐西市國際拍賣有限公司), the secretary-general of

Non State Museum Committee of Chinese Museums Association* (中國博物館協會非國有博物館專業委員會), the secretary-general of the Silk Road Committee of Dunhuang-Turfan Society* (中國敦煌吐魯番學會絲綢之路專業委員會), the deputy secretary-general of China Cultural Chamber of Commerce for the Private Sector* (中國民營文化產業商會), the member and deputy secretary-general of the Shaanxi Cultural Relics Committee* (陝西省文物鑒定委員會) and the member of the 13th Xi'an Municipal Committee of the Chinese People's Political Consultative Conference. He is the chairman of Beijing Phoenixstar International Auction Co., Ltd.* (北京景星麟鳳國際拍賣有限公司) and the chairman and general manager of Beijing Phoenixstar Information Consultancy Company Limited* (北京景星麟鳳資訊諮詢有限公司) since 2016, both of which are the subsidiaries of the Company. Mr. Wang is also the director of the art and cultural division of a subsidiary of the Company since 2017.

In addition, Mr. Wang Shaobin, who is currently a director of DTXS Enterprise, will continue to be part of the management team to oversee the development and operation of the Properties after the Completion. Mr. Wang Shaobin has been a director of DTXS Enterprise and involved in the development of the Properties since 2008. Mr. Wang Shaobin has over 20 years of experience in electronic, pharmacy, financial, cultural and property development industries operations, specialised in planning, operation and marketing of real estate projects. He obtained the EMBA in real estate from the School of Management of Xi'an Jiaotong University. Mr. Wang Shaobin is the vice chairman of Shaanxi Real Estate Chamber of Commerce. He has been awarded "Top Ten Outstanding Economic Figure of Shaanxi"* (陝西十大傑出經濟人物), "Top Ten Leading Figure of Shaanxi's Real Estate"* (陝西地產十大領袖人物) and "Leading Figure of Exhibition Industry of Xi'an City"* (西安市會展行業領軍人物).

The Directors believe that under the leadership of Mr. Lu, together with Mr. Wang and Mr. Wang Shaobin, the Company shall have the management expertise and competencies to lead and manage the operation of the Silk Road International Cultural Center after the Completion. Based on the above understanding, we concur with the Directors' belief that the management of the Enlarged Group shall have the requisite management expertise and experience in the Target Group's business.

After the Completion, revenue of the Target Group will be mainly derived from the sale of the office units, rental income and hotel operating income. The Directors are of the view that various types of income will bring a long-term and sustainable income source to the Group. The Properties are located in Lianhu District and are closed to Xi'an Hi-tech Industries Development Zone which is a central business district of Xi'an City with high-end commercial buildings and luxury shopping malls. Having considered (i) the overall development plan of Silk Road International Culture Center; (ii) the branding and market position of the shopping mall and the five-star hotel; (iii) close proximity to Xi'an Hi-teach Industries Development Zone and Tang West Market Complex; and (iv) a new metro station serving the area of the Properties, the Company is of the view that the nature and grading of the three office buildings is expected to be similar to the high-end offices located in Xi'an Hi-tech Industries Development Zone. The Company expects that the pricing strategy of these office

buildings will consider the average office selling prices in Xi'an Hitech Industries Development Zone of around RMB20,000 per sq. m with reference to a property research report prepared by a property research firm. The Company considers that the Proposed Acquisition is an ideal complement to its corporate goal.

According to the statistics published by Shaanxi Provincial Bureau of Statistics* (陝西省統計局), Shaanxi Province recorded GDP of approximately RMB2,444 billion in 2018, representing approximately 8.3% annual growth as compared to that in 2017. According to the statistics published by Shaanxi Government, Xi'an City recorded GDP of approximately RMB835 billion in 2018, representing an annual growth of approximately 8.2% as compared to that in 2017 and accounting for approximately 34.2% of the aggregate GDP of Shaanxi Province in 2018. A well-known real-estate research firm studied and identified the world's 20 most dynamic cities in which Xi'an City was ranked ninth among the 131 major established and emerging markets across the world. Located at the core position of the Silk Road economic belt, Xi'an City plays an important role in connecting the Asia-Pacific economic circle and the European economic circle. As the gateway to the ancient Silk Road and a key city in the government strategy of Western China development, Xi'an City is an important economic hub and a platform for trading in the Western China, which has attracted financial and high-tech enterprises to set up their offices in Xi'an City. Xi'an City is also the home to a new breed of energetic tech-savvy firms. According to National Bureau of Statistics of China* (中華人民共和國國家統計局), the 2018 annual growth rate of GDP in the PRC was approximately 6.6%, while Xi'an City outperformed the national annual growth rate of GDP in 2018. In order to attract capital investment and talent to Xi'an City, Xi'an government has promulgated ten preferential policies covering various sectors including high-tech, advanced manufacturing, civil-military integration and financial services, etc. Xi'an government has planned to set up Science and Technology Industry Development Fund* (科技產業發展基金) (with approximately fund size of RMB100 billion) which will provide incentives of up to RMB5 million to enterprises which are operating in the high-tech, advanced manufacturing, creative, tourism, trade and logistics industries. Preferential subsidies bringing the tax rate down to 15% are also available. In addition, incentives and subsidies are also provided to individuals as part of the talent retention programme. According to the statistics published by Xi'an City Bureau of Statistics* (西安市統計局), the newly registered entities reached 126,500 in 2018, representing a year-on-year increase by approximately 36.5% and the fixed asset investments in Xi'an City recorded an annual growth rate by approximately 8.4%. Tourism in Xi'an City also demonstrated a positive momentum. The number of international and domestic tourists reached approximately 247 million and contributed approximately RMB255 billion of revenue to the tourism industry. The robust economic growth in Xi'an City together with the government supportive policies attracted investments to Xi'an City and therefore creates a stronger demand on the commercial property market. The abovementioned statistics and favourable government policies reflected the positive prospect and potential of the real estate industry in Xi'an City. Furthermore, the 13th Five-Year Plan indicated that "the cultural industry will become a pillar industry of the national economy by 2020". In 2017, the Shaanxi Provincial Committee and the Provincial Government issued the Policies and Measures for Further Accelerating the

Development of the Cultural Industry in Shaanxi* (《關於進一步加快陝西文化產業發展的若干政策措施》). According to the requirements in the policies, the added value of the cultural industry will account for approximately 6% of the province's GDP and achieve an average annual growth rate of more than approximately 15% by 2020.

Having considered (i) the location and the future development plan of the Properties; (ii) the Proposed Acquisition will diversify the business of the Group; (iii) the growing economy of Xi'an, Shaanxi Province, the PRC; and (iv) the supporting national policy to the cultural industry, the Company believes that the Proposed Acquisition will allow the Group to leveraging on the background of its controlling shareholders to capture the historic opportunities arising from the booming development of the cultural industries in the PRC, which will serve as a driving force for the development of the Group's relevant cultural industries as well as providing a valuable opportunity for the Group to participate into the construction of Silk Road International Cultural Center that features all-round cultural artworks operations, cultural artwork financing and Silk Road international cultural entertainment complex. It is expected that DTXS Enterprise will generate stable revenue for the Group upon the completion of its cultural-related real estate project, including revenue from the sale of the office units, rental income from the office buildings and shopping mall and hotel operating income, which the Directors currently believe that such various types of rental income will bring in a long-term and sustainable income source to the Group, which can provide satisfactory return to well-cover the development costs expected to be incurred during the course of the development stages of the Properties. Meanwhile, this business model of DTXS Enterprise provides strong and sustainable development. On such basis, we consider that the Proposed Acquisition is in the interests of the Group and the Shareholders as a whole.

The Directors believe that the Proposed Acquisition is not only a viable proposition, but a potentially rewarding one. In addition, the Proposed Acquisition will significantly broaden the asset base of the Group through the harvesting of the property development projects under DTXS Enterprise. In addition, the existing land bank of DTXS Enterprise will bring new business opportunities and thus benefit the Group in numerous ways. The Directors are of the view that the terms of the Share Purchase Agreement (together with the Guarantee Arrangements) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

In view of the above, we are of the view that the Proposed Acquisition is an investing activity for enrichment of the Group's business coverage in arts and cultural division instead of usual operating activities, and therefore is not conducted in the ordinary and usual course of business of the Group; while the terms of the Share Purchase Agreement (together with the Guarantee Arrangements) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

7. Principal terms and conditions of the Share Purchase Agreement

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target Company. The Target Company indirectly holds in aggregate approximately 69.97% of the registered capital of DTXS Enterprise and therefore holds approximately 69.97% of the interest of the Properties.

Basis for determination of the Consideration

The Consideration is RMB190,000,000 (equivalent to approximately HK$211,669,000). Taking into account the Capital Injection Commitment to DTXS Enterprise by the Target Company in respect of its approximately 69.97% of the registered capital of DTXS Enterprise to be assumed by the Purchaser by virtue of taking up 100% shareholding interest in the Target Company, amounting to approximately RMB116,500,000 (equivalent to approximately HK$129,786,000), the aggregate amount of the Consideration and the Capital Injection Commitment is RMB306,500,000 (equivalent to approximately HK$341,455,000).

The Consideration of RMB190 million was determined after arm's length negotiation between the Purchaser and the Vendor after taking into account, among others, (i) the market value of the Properties owned by DTXS Enterprise in the preliminary amount of approximately RMB1,208.4 million (equivalent to approximately HK$1,346.2 million) as at 31 July 2019 according to a draft valuation report issued by the Valuer by applying market approach and cost approach; (ii) the unaudited financial statements of the Target Group for the three FYs from 2016 to 2018 and the nine months ended 30 September 2019; and (iii) the strategic implication of the Properties to the Company as discussed in more details in the Board Letter.

Taking into account the adjusted consolidated net assets value attributable to the owner of the Target Group of approximately HK$398.4 million as at 30 September 2019 (which is adjusted for the valuation surplus of the Properties based on the then draft valuation report as at 31 July 2019 issued by the Valuer by applying market approach and cost approach), the Consideration represented a discount of approximately 46.9% to the adjusted consolidated net assets value attributable to the owner of the Target Company.

Pursuant to the Share Purchase Agreement, the Purchaser has agreed to assume the Capital Injection Commitment from the Vendor to contribute capital of approximately RMB116,500,000 (equivalent to approximately HK$129,786,000) to DTXS Enterprise after the Completion, which is calculated as by sharing the 69.97% of the registered capital of RMB166,500,000 of DTXS Enterprise.

Having considered (i) the audited consolidated net asset value attributable to the owner of the Target Group is approximately HK$38.5 million as set out in Appendix II to the Circular; and (ii) the market value of the Properties is approximately RMB1,401.9 million (equivalent to approximately HK$1,561.8 million) as set out in Appendix V to the Circular, the adjusted consolidated net asset value attributable to the owner of the Target Group is approximately HK$452.4 million, which represents a discount of approximately 53.2% to the Consideration.

Payment of the Consideration

Pursuant to the Share Purchase Agreement, the Consideration of RMB190,000,000 (equivalent to approximately HK$211,669,000) will be payable and settled by the Purchaser in the following manner:

- RMB57,000,000 (equivalent to approximately HK$63,501,000) as deposit (the "Deposit") shall be paid within three Business Days after signing the Share Purchase Agreement; and

- the remaining balance of RMB133,000,000 (equivalent to approximately HK$148,168,000) shall be paid on the Completion Date.

The Vendor shall refund the Deposit to the Purchaser in full if the Completion does not materialize. No interest shall accrue on such Deposit to be refunded by the Vendor to the Purchaser.

The Consideration and the Capital Injection Commitment will be financed by the internal resources of the Group out of the net proceeds from the share subscription of the Company completed on 28 August 2019 (the "Subscription").

It is common for the purchaser of merger and acquisition activities to pay a certain percentage of the total consideration to the vendor for demonstrating the purchaser's sincerity so as allowing the purchaser to conduct due diligence review on the corporate affairs and books and records of an acquisition target prior to completion. In this case, whilst a deposit of 30% of the Consideration in an amount of RMB57 million is required to be paid with three Business Days after signing the Share Purchase Agreement, which is not unusually large. The Vendor shall refund the Deposit to the Purchaser in full if the Completion does not materialize. Furthermore, the remaining balance of 70% is not required to be paid until the Completion. In consideration of such payment arrangement, we are of the view that the aforesaid payment terms are fair and equitable for the parties to the Share Purchase Agreement.

Valuation of the Properties

In assessing the fairness and reasonableness of the Consideration, we have interviewed and discussed with the Valuer and noted that the professional in charge responsible for the Valuation and signing off the Valuation Report has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. Having reviewed the scope of work details in the engagement letter of the Valuer, we are satisfied that the scope of work is sufficient and appropriate for the Proposed Acquisition.

We have reviewed the Valuation Report and enquired into the Valuer on the methodology or approach adopted and the basis and assumptions used in arriving at the Valuation. In the course of our enquiry, we understand that the Valuer carried out a site inspection to the Properties in December 2019 to research for the necessary information to determine the market value of the Properties. The Valuer has further advised that it has primarily adopted the direct comparison approach for the Valuation based on the principle of substitution, where comparison is made based on market prices realised on actual sales and/or asking prices of comparable properties so as to arrive at a fair comparison of market value. In arriving at opinion of market values, the Valuer has identified and analyzed various relevant sales evidences in the locality which have same usage, similar positioning, grade and other characteristics as the Properties. Appropriate adjustments and analysis were considered to the differences in location, size, floor and other characters between the comparables and the Properties to arrive at an assumed unit rate for the Properties. Based on the available information and market research and analysis conducted by the Valuer, it has confirmed that the selected comparables in the Valuation had met the selection criteria, and the direct comparables are representative in the Lianhu District and the adjacent areas. We, on our best effort basis, have also independently ascertained the relevant public websites regarding property transactions in Xi'an City, Shaanxi Province, the PRC where the selected comparables were researched by the Valuer, and noted that such selected comparables were more closely comparable to the Properties. Therefore, we do not see any anomaly in the Valuer's findings so as believe that such selected comparables represented a complete list of transactions that fulfill the selection criteria. Based on such understanding, we consider that the selection criteria of the selected comparables are a fair and representative sample to be referred to/relied on for reaching the present Valuation.

In respect of Properties not under development, the Valuer has adopted direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. The Valuer advised that this approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In respect of Properties under development, the Valuer has assumed that it will be developed and completed in accordance with the latest development proposals provided by DTXS Enterprise, and adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. The Valuer has relied on the accrued construction cost and professional fees information provided by DTXS Enterprise according to the different stages of construction of the Properties as at the valuation date, and it did not find any material inconsistency from those of other similar developments.

For the Properties under the Valuation, the direct comparison approach derived a market value of the Properties as at 30 November 2019 of approximately RMB1,401.9 million. We have obtained from the Valuer details of the comparable land sites that it has applied to evaluate the Properties. In particular, the Valuer has identified and analysed various relevant sales evidence of land and buildings in the locality which have similar characteristics as the Properties such as nature use, site area, layout and accessibility. We noted that the selected comparables are residential, retail, hotel, office properties and flat and mechanical car parking spaces located in the area close to the Properties within one to two months prior to the valuation date as at 30 November 2019, while the vacant land comparables in the Lianhu District and the adjacent areas were transacted during the period from December 2018 to November 2019. The unit price of these comparable properties ranges in the following manner:

- from RMB8,500 to RMB15,000 per sq. m. for residential units;
- from RMB25,000 to RMB30,000 per sq. m. for retail units on the ground floor basis;
- from RMB13,000 to RMB16,000 per sq. m. for commercial office usage units;
- from RMB90,000 to RMB150,000 per lot for flat car parking spaces; and
- from RMB180,000 to RMB250,000 per lot for mechanical car parking spaces.

The accommodation value of these comparable land ranges in the following manner:

- from RMB3,200 to RMB3,700 per sq. m. basis for residential use; and
- from RMB2,300 to RMB2,900 per sq. m. basis for commercial use.

We noted that some of the comparable transactions are adjusted where the Valuer considered appropriate based on differences in several aspects including time, location and physical characteristics between the comparable sites and the Properties. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable site is better than the Properties, a downward adjustment is made and vice versa. With regard to time adjustment, market condition at the relevant transaction date is considered. We are of the view that the number of transactions that are chosen for comparison is adequate and the nature and particulars of these transactions are appropriate and relevant for providing a fair and reasonable basis for the Valuer's opinion.

Based on our discussion with and understanding from the Valuer, its valuation approach (i.e. the direct comparison approach) has been consistent and complied with all the requirements pursuant to, among others, the International Valuation Standards published by the International Valuation Standards Council. On such basis coupled with our past experience, we concur with the Valuer's view that the valuation methodology adopted by the Valuer is a common approach and normal market practice in the Valuer's profession for determining the market value of properties in the PRC given the availability of the market comparables, and that the underlying basis for valuation of the Properties is fair and reasonable. Further details of the bases and assumptions of the Valuation are included in the Valuation Report as contained in the Appendix V to the Circular.

During the course of our discussions with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation.

Assessment of the fairness and reasonableness of the Consideration

We further analysed the net asset value of the Target Group by considering the amount of the Valuation of RMB1,401.9 million (equivalent to approximately HK$1,561.8 million) as mentioned above in order to fairly reflect the net asset value of the Target Group as at 30 September 2019. Based on the relevant financial information, the audited consolidated net asset value attributable to the

owner of the Target Company as at 30 September 2019 was approximately HK$38.5 million (the "Audited NAV"), after taking into account the Valuation of HK$1,561.8 million and then resulting in an associated surplus on fair value change of the Properties of approximately HK$591.5 million, the Audited NAV attributable to the 69.97% shareholding of DTXS Enterprise would amount to approximately HK$413.9 million (the "Adjusted NAV"). Set out below is a detailed reconciliation showing how the Valuation as at 30 November 2019 to be compared to the Audited NAV as at 30 September 2019 so as arriving at the Adjusted NAV as at 30 September 2019 (the "Reconciliation Table"):

	Scenario 1 *(Note 1)*		**Scenario 2** *(Note 2)*	
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*
Valuation of the Properties as per Valuation Report				
1. The remaining unsold residential, retail units and mechanical and flat car parking spaces of West Market Jiajing (西市佳境)	70,500		70,500	
2. The remaining unsold residential, retail units and mechanical and flat car parking spaces of West Market Jiajun (西市佳郡)	276,900		276,900	
3. The remaining unsold units of Building No. 7 of West Market Tao Yuan (西市桃園)	—		98,700	
4. 13 retail units of Buildings No. 3 and 4 of West Market Tao Yuan (西市桃園)	—		65,600	
5. The land and buildings under development located at No. 118 Laodong South Road	826,100		826,100	
6. Portions of 5 parcels of land held for future development	228,400		228,400	
7. Portions of 3 parcels of land contracted to be acquired *(Note 3)*	—		—	
Total Valuation as at 30 November 2019	1,401,900	1,561,779	1,566,200	1,744,817
Less: Net book value attributable to the Properties as at 30 September 2019				
Properties under development		(779,995)		(779,995)
Completed properties held for sale		(193,347)		(193,347)
Add: sale of completed properties held for sale during October to November 2019		3,095		3,095
Surplus on the Valuation as at 30 November 2019		591,532		774,570
69.97% share of the Valuation surplus		413,895		541,967
Audited NAV (after non-controlling interests) as at 30 September 2019		38,531		38,531
69.97% share of the Adjusted NAV		452,426		580,498
Consideration for the Proposed Acquisition	190,000	211,668	190,000	211,668
Consideration as discounted to the Adjusted NAV		**53.2%**		63.5%
Capital Injection Commitment to be made	116,500	129,786	116,500	129,786
Adjusted NAV after the Capital Injection Commitment		582,212		710,284
Total of Consideration and Capital Injection Commitment as discounted to the Adjusted NAV after making the required capital injection		**41.4%**		51.9%

Notes:

1. The scenario 1 has taken into account the market value comprising properties numbered 1, 2, 5 and 6 as disclosed in the Valuation Report as at 30 November 2019, and then compared with the net asset value of the Target Group as at 30 September 2019.

2. The scenario 2 has taken into account the market value comprising properties numbered 1 to 6 as disclosed in the Valuation Report as at 30 November 2019, and then compared with the net asset value of the Target Group as at 30 September 2019.

3. Property numbered 7 was merely contracted to be acquired by DTXS Enterprise and the land use right has not been assigned to DTXS Enterprise, and thus the title of which has not yet been vested in DTXS Enterprise. As a consequence, neither scenario 1 nor scenario 2 has taken account property numbered 7 for consideration of its market value as at 30 November 2019.

The Consideration of RMB190 million (equivalent to approximately HK$211.7 million) to be paid for the Sale Shares shall now be in exchange for 69.97% share of the Adjusted NAV of approximately HK$413.9 million, which would represent a considerable discount of approximately 53.2% to the Adjusted NAV. If after taking into account the Capital Injection Commitment of RMB116.5 million (equivalent to approximately HK$129.8 million), the total amount of Consideration and Capital Injection Commitment would represent a discount of approximately 41.4% to the Adjusted NAV after the Capital Injection Commitment to be made. In view of the above consideration, we concur with the Directors' view that the entering into of the Share Purchase Agreement as well as the determination of the Consideration under the Proposed Acquisition is 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.

We also noted from the Valuation Report that the Valuer has attributed no commercial value to properties numbered 3, 4 and 7, because properties numbered 3 and 4 are restricted to be transferred according to the PRC legal advisers; whilst property numbered 7 was merely contracted to be acquired by DTXS Enterprise and the land use right has not been assigned to DTXS Enterprise, and thus the title of which has not yet been vested in DTXS Enterprise. As a consequence, the Valuer has attributed no commercial value to property numbered 7.

However, for reference purpose, the Valuer has considered that there shall be market value of properties numbered 3 and 4 of RMB98.7 million and RMB65.6 million, respectively, by assuming such properties in defects could be freely transferred without payment of any further land premium, penalty and transfer fees. According to the PRC legal advisers, there is no material legal impediment for DTXS Enterprise in proceeding with construction work completion and inspection acceptance after completing fire rectification. On such basis, as illustrated in the Scenario 2 under the above Reconciliation Table, if the market value of properties numbered 3 and 4 is included for our calculation of the Adjusted NAV, which would amount to approximately HK$580.5 million and represent a premium of approximately 174.2% over the Consideration of

RMB190 million (equivalent to approximately HK$211.7 million), or in its reciprocal, the Consideration would be at a discount of 63.5% to the Adjusted NAV. If after taking into account the Capital Injection Commitment of RMB116.5 million (equivalent to approximately HK$129.8 million), the total amount of Consideration and Capital Injection Commitment would represent a discount of approximately 51.9% to the Adjusted NAV after the Capital Injection Commitment to be made.

Since the Target Company is an investment holding company currently holding the principal investment in the 69.97% equity holding in DTXS Enterprise and ultimately the Properties; whilst the subject matter of the Proposed Acquisition, in substance, is the Properties themselves and their future development potential. Furthermore, the Target Group's historical operating performance has been fluctuating significantly in terms of revenue and net profit/(loss) over the past three FYs from 2016 to 2018 and the nine months ended 30 September 2019; whilst it had recorded net loss of approximately HK$11.5 million for the latest full FY 2018, we accordingly consider that direct comparison in terms of price-to-earnings ratio and/or price-to-book ratio with other property development/investment companies listed on the Stock Exchange with much larger operating scale and property development/investment portfolio would not be meaningful, or even misleading, on the grounds that the Target Group's scale of operation is very limited with Properties located in only one single location at Lianhu District, Xi'an City, Shaanxi Province, the PRC, which we consider it not directly comparable with other sizeable listed property development companies with recurring development projects as well as widespread property portfolio across the nation and/or various locations. In addition, we would rather consider that the Target Group could not demonstrate/maintain a proven stable and meaningful profitability.

As the Target Group's assets substantially consist of the Properties held for various purposes (i.e. for sale, under development and future development), we consider that it would be more meaningful for us to consider the fair net asset value rather than to make reference to the past financial and operating performance of the Target Group. As such, the Adjusted NAV, in particular after the Capital Injection Commitment, by making reference to the Valuation is an appropriate valuation of the Target Group.

Since the Consideration and the Capital Injection Commitment represent considerable discounts of approximately 41.4% or 51.9% respectively, as the case maybe, to the Adjusted NAV as at 30 September 2019 with reference to the Valuation of RMB1,401.9 million as set out in the Valuation Report, we consider that the basis for determining the Consideration is 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.

Having considered the above factors, we are of the view that the Consideration (including its payment terms) under the Proposed Acquisition and the entering into of the Share Purchase Agreement are 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.

Conditions Precedent

The major Conditions Precedent to the Proposed Acquisition are:

(1) the Purchaser having, at its own cost:

   (a) carried out the due diligence review (as defined in the Share Purchase Agreement) and being satisfied with the results thereof;

   (b) obtained the PRC Legal Opinion, in form and substance satisfactory to the Company;

(2) the approval by the Board and the Shareholders (or, if so required by the Listing Rules or by the SFC, the Independent Shareholders) of the Proposed Acquisition together with the Guarantee Arrangements, the Share Purchase Agreement and the transactions contemplated thereunder at the SGM to be convened in accordance with, and all other consents and acts required under, the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(3) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to the Completion in relation to the transactions contemplated under the Share Purchase Agreement; and

(4) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Share Purchase Agreement having been obtained.

None of the above Conditions Precedent can be waived by either parties to the Share Purchase Agreement. As at the Latest Practicable Date, none of the Conditions Precedent have been satisfied or waived.

Please refer to the Board Letter for fuller details of the other Conditions Precedent. We consider that the Conditions Precedent are not unusual in all material respects.

Indemnity and put option

Referring to the indemnity clause under the Share Purchase Agreement, details of which are set out in the Board Letter. The Vendor has granted a put option to the Purchaser such that, if, within 12 months commencing from the Completion Date (or such longer period as the Purchaser and the Vendor may agree), the Target Group fails to obtain the Properties Certificates or DTXS Enterprise's liabilities under the Guarantee Arrangements have not been fully released and discharged (the "Relevant Event"), the Purchaser is entitled to serve a notice on the Vendor within three months of the Relevant Event to require the Vendor to repurchase part or all of the Sale Shares, for a cash purchase price of, upon full exercise of the put option, 1.1 times of the Consideration, calculated on a pro rata basis where the put option is partially exercised. Such purchase price will be fully paid within 7 days of the said notice (or such longer period as the Purchaser and the Vendor may agree).

Based on the above understanding, the indemnity and put option provided by the Vendor to the Purchaser is to protect the Purchaser's interests in the Target Group associated with the Proposed Acquisition together with the Guarantee Arrangements, including but not limited to, assurance for the Properties themselves and their Properties Certificates shall be duly obtained with 12 months commencing from the Completion Date (or such longer period as the Purchaser and the Vendor may agree), otherwise the Purchaser may require the Vendor to refund in an aggregate amount at 1.1 times of the Consideration, which we consider to be fair and reasonable, in the interests of the Group and the Shareholders as a whole.

Moreover, as disclosed in more details in the Board Letter, in view of (i) the protection mechanism under the put option clause and the indemnity clause; (ii) the PRC Legal Opinion, which concludes that there is no legal obstacles of obtaining the outstanding Property Certificates and the risk of receiving administrative penalty is remote; (iii) the fact that the application for the pre-sale permits for two blocks of office buildings inside the Silk Road International Culture Center has already been in the process; and (iv) the pre-sale time for these office units, which is expected to commence in the first half of 2020, the Directors considered that the risks associated with the outstanding property certificates were properly managed, as such they decided to proceed with the Proposed Acquisition before all the Properties Certificates have been obtained. In consideration of such arrangement, we are of the view that the Company's decision to complete the Proposed Acquisition before the Target Group obtaining the Properties Certificates would never be detrimental to the interests of the Company and the Shareholders as a whole.

Completion

Subject to the satisfaction of all the Conditions Precedent in full (or waiver of certain Conditions Precedent by the Purchaser), the Completion will take place on the Completion Date at such time and place as shall be agreed by the Purchaser and the Vendor in writing.

8. Principal terms and conditions of the Guarantee Arrangements

On 15 April 2019, DTXS Enterprise entered into a guarantee agreement (the "Guarantee Agreement") with the Bank of Xi'an Co., Ltd. in relation to the provision of guarantee to a loan obtained by Xi'an Da Tang Xi Shi Property Limited* (西安大唐西市置業有限公司) ("DTXS Property"). DTXS Property, which is a non-wholly-owned subsidiary of DTXS Investment, is a company established in the PRC and principally engaged in real estate investment and development in the PRC. DTXS Property raised a loan with a principal amount of RMB300,000,000 from the Bank of Xi'an Co., Ltd. and its certain properties are pledged for the aforesaid loan.

In view that DTXS Enterprise and DTXS Property are the fellow subsidiaries of DTXS Investment and the strong asset base of DTXS Enterprise, DTXS Enterprise provided a joint and several guarantee (the "Guarantee") for the loan of RMB300,000,000. In the meantime, DTXS Investment and DTXS Enterprise entered into a counter guarantee agreement (the "Counter Guarantee Agreement") in relation to the provision of an unconditional, irrevocable, joint and several counter guarantee (the "Counter Guarantee") in favour of DTXS Enterprise for its obligations under the Guarantee Agreement. The Guarantee and Counter Guarantee (the "Guarantee Arrangements") will be continuing upon the Completion.

The salient terms of each of the Guarantee Agreement and the Counter Guarantee Agreement are summarised below:

		Guarantee Agreement	**Counter Guarantee Agreement**
Date	:	15 April 2019	15 April 2019
Parties	:	(i) DTXS Enterprise; and	(ii) Bank of Xi'an Co., Ltd.
		(i) DTXS Enterprise; and	(ii) DTXS Investment
Principal amount of the loan obtained	:	RMB300,000,000	N/A
Term of the Loan	:	36 months, being the period from 15 April 2019 to 14 April 2022	N/A

		Guarantee Agreement	Counter Guarantee Agreement
Guaranteed obligations	:	DTXS Enterprise shall guarantee the obligations under the loan agreement including the respective principal amount, loan interest (including compound interest and default interest), compensation, penalty, liquidated damages, expenses from realization of debt rights and other expenses.	DTXS Investment shall indemnify DTXS Enterprise for all liabilities and expenses which may be incurred by DTXS Enterprise under the Guarantee Agreement, including the respective principal amount, loan interest (including compound interest and default interest), compensation, penalty, liquidated damages, expenses from realization of debt rights and other expenses.
Guarantee period	:	The guaranteed obligations shall be two years from the end of the term of the loan of RMB300,000,000. If the term of the loan agreement is extended or the amounts owed by DTXS Property under the loan agreement is declared due and repayable in advance of the maturity date, the guaranteed obligations shall be two years from the relevant extended or accelerated due date.	The obligations under the Counter Guarantee shall be two years from the date on which DTXS Enterprise, on behalf of DTXS Property, repays the principal amount of the loan obtained by DTXS Property, the loan interest and other related expenses.
Method of the guarantee	:	Joint and several liability	Unconditional, irrevocable, joint and several liability

Based on our independent review of the consolidated financial statements of DTXS Investment, we noted that it had been operating profitably over the past two FYs 2017 and 2018 and the six months ended 30 June 2019 with average annual net profit of almost RMB200 million and net asset value of over RMB5,700 million as at 30 June 2019. Based on such understanding, we consider that DTXS Investment is financially sound and eligible to provide the Counter Guarantee to DTXS Enterprise for indemnifying any probable liabilities and expenses which may be incurred by

DTXS Enterprise under the Guarantee Agreement so that the Enlarged Group, following the Completion, would be unlikely to suffer harmful effects from the provision of the Guarantee by DTXS Enterprise to Bank of Xi'an Co., Ltd..

Given the Guarantee was inherent (i.e. which had already been provided by DTXS Enterprise to DTXS Property in April 2019) in the Proposed Acquisition prior to entering into the Share Purchase Agreement dated 29 November 2019, while the exclusive purpose of the provision of the Counter Guarantee by DTXS Investment was to mitigate/eliminate the Target Group's probable financial risk exposure, which, on balance, would not adversely affect the business operation and financial position of the Enlarged Group, and therefore would never be detrimental to the interests of the Enlarged Group and the Shareholders as a whole upon the Completion. Taking into account the fact that the Guarantee Arrangements do not stand alone from the Proposed Acquisition, and are part and parcel of the whole transaction arrangement thereunder, which therefore would not be separately subject to Independent Shareholders' approval by a separate ordinary resolution, we consider that the Guarantee Arrangements are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Enlarged Group and the Shareholders as a whole.

9. Possible financial effects on the Proposed Acquisition of the Group

Earnings

Upon the Completion, there is no immediate material impact on earnings of the Group, while (i) the Target Group (excluding DTXS Enterprise) will become wholly-owned subsidiaries of the Company, and their financial results will be consolidated into the Group's financial statements; and (ii) DTXS Enterprise, being a subsidiary of the Target Group, will become a group of subsidiaries of the Company, and its financial results will be consolidated into the Group's financial statements.

Working capital

Based on the Interim Report, the working capital (i.e. total current assets of approximately HK$387.1 million, less total current liabilities of approximately HK$91.6 million) and bank balances and cash of the Group as at 30 June 2019 amounted to approximately HK$295.5 million and HK$28.4 million respectively, representing a current ratio of approximately 4.2 times.

Subsequent to the end of interim period, the Company had conducted and completed the Subscription in August 2019 with net proceeds of approximately HK$597 million, the substantial part of which was intended to be applied for fully financing the Consideration of RMB190 million (equivalent to approximately HK$211.7 million) and the Capital Injection commitment of RMB116.5 million (equivalent to approximately HK$129.8 million). On such basis, the payment of the Consideration and the Capital Injection Commitment would not exert considerable pressure on the working capital of the Group.

Net asset value

According to the Interim Report, the unaudited consolidated net asset value (excluding non-controlling interests) of the Group was approximately HK$659.7 million as at 30 June 2019. It is currently expected that there will not be material impact of the net assets of the Group following the Completion as the increase in the investment cost in the Target Group under the Proposed Acquisition will be offset by the decrease in bank balances for payment of the Consideration and the Capital Injection Commitment. There will also be no material impact on the income statements and reserves of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular (the "Pro Forma Information"), the unaudited consolidated net asset value of the Enlarged Group would decrease to approximately HK$482.2 million, mainly due to an amount of approximately HK$173.1 million to be recognized as a distribution to the Controlling Shareholder in merger reserve. However, this Pro Forma Information did not reflect the surplus on valuation of the Properties of approximately HK$591.5 million attributable to the Enlarged Group, or approximately HK$413.9 million to be shared to the extent of 69.97% by the Group. On such basis, it could be inferred that the Enlarged Group's consolidated net asset value would not deteriorate upon Completion after taking into account the fair value of the Properties.

Gearing position

As at 30 June 2019, the Group had interest-bearing borrowings of approximately HK$58.6 million, and a relatively lower gearing ratio (which is calculated by interest-bearing borrowings to be divided by the net asset value (excluding non-controlling interests) of the Group) of approximately 8.9%. For the Group itself, it is expected that its gearing position would not deteriorate upon the Completion, as the Group is able to finance the Consideration and the Capital Injection Commitment by internal resources out of the net proceeds from the Subscription.

Based on the Pro Forma Information, the gearing position of the Enlarged Group would significantly increase to approximately 148.6%, mainly due to the borrowings attributable to the Target Group in amount of approximately HK$658.0 million as at 30 September 2019 to be included in the Enlarged Group for illustration purpose. However, upon completion of the development and sale of the Properties, the Target Group will receive cash proceeds from sale of the Properties and recognize profit therefrom, such cash proceeds can be used for repayment of borrowings whilst the profit recognized could enhance the net asset value of the Target Group/Enlarged Group at that time, which in turn would improve the gearing position of the Enlarged Group.

Conclusion

In light of the foregoing financial effects of the Proposed Acquisition and the Capital Injection Commitment on the earnings, working capital, net asset value as well as gearing position of the Group and the Enlarged Group, we are of the view that the Proposed Acquisition and the Capital Injection Commitment would have no significant adverse impact on the Group's financial position, save and except for the reduction in cash resources of the Group, which are inevitable as the Group intends to finance the Consideration and the Capital Injection Commitment by internal cash resources out of the net proceeds from the Subscription. Therefore, we are of the view that while the Group's cash resources would be reduced, the Proposed Acquisition and the Capital Injection Commitment are effective utilisation of its cash resources which is aimed at positioning the Group for better business growth and development in the future which, in the long run, is expected to benefit the Group and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Proposed Acquisition (in conjunction with the Capital Injection Commitment) are investing activities for enriching the Group's business coverage and development instead of usual operating activities, whilst the Guarantee Arrangements are part and parcel of the Proposed Acquisition, and therefore they are not conducted in the ordinary and usual course of business of the Group; while the terms of the Share Purchase Agreement (together with the Guarantee Arrangements) are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of each of the Share Purchase Agreement (together with the Guarantee Arrangements) is 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 to approve the Proposed Acquisition and the transactions contemplated under or in connection with the Share Purchase Agreement (together with the Guarantee Arrangements) at the SGM.

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, and completed, numerous connected transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the three years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 June 2019 are disclosed in the following documents which have been published on the websites of the Hong Kong Exchange and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.dtxs.com):

2016 Annual Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0420/ltn20170420003.pdf

2017 Annual Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0418/ltn20180418483.pdf

2018 Annual Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424394.pdf

2019 Interim Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0927/ltn20190927267.pdf

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

As at 31 December 2019, being the latest practicable date of the Enlarged Group, for the purpose of this statement of indebtedness, the Group and the Target Group had the following outstanding indebtedness:

(a) Indebtedness Statement

(i) As at 31 December 2019, the Group had unsecured borrowing of HK$4,852,000.

(ii) As at 31 December 2019, the Target Group had total interest-bearing borrowings of RMB598,900,000 (equivalent to HK$667,175,000), which were secured by the Target Group's properties under development.

(b) Contingent Liabilities and Financial Guarantees

(i) As at 31 December 2019, the Group had no material contingent liabilities and guarantees on a group consolidated basis.

(ii) As at 31 December 2019, the Target Group provided guarantees to banks in respect of loans provided by the banks to the customers of the Target Group in an aggregate amount not exceeding HK$190,294,000.

(iii) As at 31 December 2019, the Target Group had contingent liabilities of HK$23,866,000 in respect of potential claims from property buyers in connection with the non-compliance of certain applicable laws and regulations in the PRC and the terms of the sales contract with property buyers.

(iv) As at 31 December 2019, the Target Group provided guarantee of RMB295,000,000 (equivalent to HK$328,630,000) to a bank, in respect of a banking facility granted to a related party.

(v) As at 31 December 2019, the Target Group provided guarantee of RMB100,000,000 (equivalent to HK$111,400,000) to an independent third party for a loan facility granted to another independent third party pursuant to the Loan Agreement.

(c) Lease Liabilities

(i) As at 31 December 2019, the Group had lease liabilities of HK$18,007,000.

(ii) As at 31 December 2019, the Target Group did not have any material lease liabilities.

Save as those disclosed above or elsewhere in this circular and except for the inter-group liabilities during the ordinary course of business and normal trade payables, as at 31 December 2019, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases commitments, guarantees or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, taking into account the financial resources including internally generated fund and shareholders' loan from the non-controlling shareholder of the Target Company, banking facilities available to the Enlarged Group as well as the effect of the Proposed Acquisition, the Enlarged Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Following the Completion, the Company has no intention to scale down or introduce any changes to the existing businesses of the Group, save and except for the disposal of the entire issued share capital of UDL Ventures Limited which has been completed (details of which are set out in the announcement of the Company dated 30 December 2019). In addition to the business of the Target Group, the Group will continue to be principally engaged in (i) auction business and arts and collections related business; and (ii) e-Commerce, including making and sales of wine.

As mentioned in the interim report of the Company for the six months ended 30 June 2019, the Company will continue to refine the operations and business structure and promote the Group's business development in a prudent manner. 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 parent company, and to develop businesses around the cultural industries and business relating to financing, 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.

Following the Completion, the Group will enter into the property development market in the PRC. As discussed in the "Reasons for and benefits of the Proposed Acquisition" in the letter from the Board in this circular, it has been the Group's plan to strengthen its exposure in the cultural-related real estate investment and development in the strategically important regions in the PRC. Based on the current business plan of DTXS Enterprise, the Properties 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 designed with three major features, 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. The Board is of the view that the Proposed Acquisition will enable the Group to diversify its businesses by entering into the property development market in the PRC, increasing opportunities and broadening channels of gaining access to the high-quality land resources in the PRC, which will in turn strengthen and expand the revenue and the asset base of the Group and maximising Shareholder's interests in the long run.

6. RECONCILIATION OF PROPERTY VALUATION

The table below sets forth the reconciliation of the aggregate amount of net book value of our interest in the Properties from our consolidated financial information as at 30 September 2019 with the valuation of our interest in the Properties as at 30 November 2019:

	RMB'000
Net book value of the interest in Properties as at 30 September 2019	886,033,000
Movement from 1 October 2019 to 30 November 2019 (unaudited)	
Sales of completed properties held for sale	(2,778,000)
Net book value of the interest in Properties as at 30 November 2019 (unaudited)	883,255,000
Valuation surplus as at 30 November 2019	518,645,000
Valuation of the interest in Properties as at 30 November 2019 as set out in the Property Valuation Report in Appendix V	1,401,900,000

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 February 2020

The Directors
DTXS Silk Road Investment Holdings Company Limited

Dear Sir,

We report on the historical financial information of HK DTXS Enterprise Holdings (BVI) Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-50, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018, and 30 September 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-50 forms an integral part of this report, which has been prepared for inclusion in the circular of DTXS Silk Road Investment Holdings Company Limited (the "Company") dated 21 February 2020 (the "Circular") in connection with the acquisition of the entire equity interest of the Target Company (the "Acquisition").

TARGET COMPANY DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The director of the Target Company (the "Target Company Director") is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Target Company Director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Target Company Director, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Target Group as at 31 December 2016, 2017 and 2018, and 30 September 2019 and of the consolidated financial performance and consolidated cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 30 September 2018 and other explanatory information (the "Interim Comparative Financial Information"). The Target Company Director is responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and

consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
REVENUE	*6*	126,634	682,250	69,369	62,521	10,685
Cost of sales		(78,874)	(558,004)	(44,061)	(40,564)	(4,873)
Gross profit		47,760	124,246	25,308	21,957	5,812
Other income	*6*	3,317	2,359	2,552	1,683	1,089
Selling and distribution expenses		(33,631)	(28,015)	(8,928)	(8,385)	(2,062)
Administrative expenses		(13,146)	(27,554)	(30,448)	(23,534)	(17,355)
Finance costs	*7*	—	(17,243)	—	—	—
PROFIT/(LOSS) BEFORE TAX	*8*	4,300	53,793	(11,516)	(8,279)	(12,516)
Income tax credit/(expense)	*9*	(7,662)	(18,730)	(22)	(215)	2,008
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(3,362)	35,063	(11,538)	(8,494)	(10,508)

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(3,362)	35,063	(11,538)	(8,494)	(10,508)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(7,046)	8,427	(6,331)	(6,384)	(4,176)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(10,408)	43,490	(17,869)	(14,878)	(14,684)
Profit/(loss) for the year/period attributable to:					
Owners of the parent	(2,323)	24,007	(7,914)	(5,818)	(7,356)
Non-controlling interests	(1,039)	11,056	(3,624)	(2,676)	(3,152)
	(3,362)	35,063	(11,538)	(8,494)	(10,508)
Total comprehensive income/(loss) for the year/period attributable to:					
Owners of the parent	(7,150)	29,779	(12,251)	(10,191)	(10,279)
Non-controlling interests	(3,258)	13,711	(5,618)	(4,687)	(4,405)
	(10,408)	43,490	(17,869)	(14,878)	(14,684)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	532	3,716	2,748	2,036
Deferred tax assets	*20*	9,541	9,227	11,723	14,299
Properties under development	*12*	5,375	5,765	5,494	5,294
Total non-current assets		15,448	18,708	19,965	21,629
CURRENT ASSETS					
Properties under development	*12*	375,793	536,451	606,460	774,701
Completed properties held for sale	*13*	767,727	260,321	205,534	193,347
Trade and other receivables	*14*	46,138	47,527	46,819	43,005
Due from related parties	*15*	414,142	458,987	1,039,235	105,484
Restricted bank deposits	*16*	2,412	27,261	18,378	7,076
Bank balances and cash	*16*	14,098	2,630	6,179	2,409
Total current assets		1,620,310	1,333,177	1,922,605	1,126,022
CURRENT LIABILITIES					
Trade and other payables	*17*	198,765	203,711	202,194	283,353
Due to related parties	*15*	456,888	788,906	828,688	1,117
Contract liabilities	*18*	610,721	77,748	37,354	32,026
Borrowings	*19*	223,115	—	—	—
Tax payable		46,721	66,703	65,092	63,645
Total current liabilities		1,536,210	1,137,068	1,133,328	380,141
NET CURRENT ASSETS		84,100	196,109	789,277	745,881
TOTAL ASSETS LESS CURRENT LIABILITIES		99,548	214,817	809,242	767,510
NON-CURRENT LIABILITIES					
Borrowings	*19*	—	71,779	684,073	658,025
Net assets		99,548	143,038	125,169	109,485
EQUITY					
Issued capital	*21*	—	—	—	—
Reserves	*22*	28,423	58,202	45,951	38,531
Non-controlling interests		71,125	84,836	79,218	70,954
Total equity		99,548	143,038	125,169	109,485

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Issued capital *HK$'000 (note 21)*	Statutory surplus reserve *HK$'000 (note 22)*	Capital reserve *HK$'000 (note 22)*	Exchange fluctuation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2016	—	5,028	—	(2,601)	33,146	35,573	74,383	109,956
Loss for the year	—	—	—	—	(2,323)	(2,323)	(1,039)	(3,362)
Exchange differences arising on translation of foreign operation	—	—	—	(4,827)	—	(4,827)	(2,219)	(7,046)
Total comprehensive loss for the year	—	—	—	(4,827)	(2,323)	(7,150)	(3,258)	(10,408)
At 31 December 2016 and 1 January 2017	—*	5,028#	—#	(7,428)#	30,823#	28,423	71,125	99,548
Profit for the year	—	—	—	—	24,007	24,007	11,056	35,063
Exchange differences arising on translation of foreign operation	—	—	—	5,772	—	5,772	2,655	8,427
Total comprehensive income for the year	—	—	—	5,772	24,007	29,779	13,711	43,490
Transfer to statutory surplus reserve	—	3,509	—	—	(3,509)	—	—	—
At 31 December 2017 and 1 January 2018	—*	8,537#	—#	(1,656)#	51,321#	58,202	84,836	143,038
Loss for the year	—	—	—	—	(7,914)	(7,914)	(3,624)	(11,538)
Exchange differences arising on translation of foreign operation	—	—	—	(4,337)	—	(4,337)	(1,994)	(6,331)
Total comprehensive loss for the year	—	—	—	(4,337)	(7,914)	(12,251)	(5,618)	(17,869)
At 31 December 2018 and 1 January 2019	—*	8,537#	—#	(5,993)#	43,407#	45,951	79,218	125,169
Loss for the year	—	—	—	—	(7,356)	(7,356)	(3,152)	(10,508)
Exchange differences arising on translation of foreign operation	—	—	—	(2,923)	—	(2,923)	(1,253)	(4,176)
Total comprehensive loss for the year	—	—	—	(2,923)	(7,356)	(10,279)	(4,405)	(14,684)
Acquisition of non-controlling interests	—	—	2,859	—	—	2,859	(3,859)	(1,000)
At 30 September 2019	—*	8,537#	2,859#	(8,916)#	36,051#	38,531	70,954	109,485

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Issued capital *HK$'000 (note 21)*	**Statutory surplus reserve** *HK$'000 (note 22)*	**Capital reserve** *HK$'000 (note 22)*	**Exchange fluctuation reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
(Unaudited)								
At 1 January 2018	—	8,537	—	(1,656)	51,321	58,202	84,836	143,038
Loss for the period	—	—	—	—	(5,818)	(5,818)	(2,676)	(8,494)
Exchange differences arising on translation of foreign operation	—	—	—	(4,373)	—	(4,373)	(2,011)	(6,384)
Total comprehensive loss for the period	—	—	—	(4,373)	(5,818)	(10,191)	(4,687)	(14,878)
At 30 September 2018	—	8,537	—	(6,029)	45,503	48,011	80,149	128,160

* Issued capital amounted to HK$8 as at 31 December 2016, 2017 and 2018 and 30 September 2019.

These reserve accounts comprise the consolidated reserves of HK$28,423,000, HK$58,202,000, HK$45,951,000 and HK$38,531,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, and 30 September 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		4,300	53,793	(11,516)	(8,279)	(12,516)
Adjustments for:						
Interest income	*6*	(1,744)	(97)	(204)	(179)	(49)
Finance costs	*7*	—	17,243	—	—	—
Depreciation	*8*	217	702	976	715	689
		2,773	71,641	(10,744)	(7,743)	(11,876)
Increase in properties under development		(275,762)	(115,078)	(71,828)	(60,710)	(166,394)
Decrease in completed properties held for sale		136,778	544,096	44,061	40,564	4,873
Decrease/(increase) in trade and other receivables		65,517	1,885	(1,578)	(13,902)	2,188
Decrease/(increase) in restricted bank deposits		115,859	(23,848)	7,871	3,625	11,046
Increase/(decrease) in trade and other payables		(81,139)	(9,122)	8,219	27,109	91,883
Increase/(decrease) in contract liabilities		120,975	(571,730)	(38,038)	(32,737)	(4,120)
Cash generated from/(used in) operating activities		85,001	(102,156)	(62,037)	(43,794)	(72,400)
Interest received		1,744	97	204	179	49
Tax paid		(7,060)	(1,715)	(1,482)	(1,275)	(178)
Net cash flows from/(used in) operating activities		79,685	(103,774)	(63,315)	(44,890)	(72,529)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, furniture and equipment		(13)	(3,743)	(154)	(69)	(54)
Repayment from/(advance to) related parties		99,539	348,178	(678,060)	(722,738)	182,070
Net cash flows from/(used in) investing activities		99,526	344,435	(678,214)	(722,807)	182,016

		Year ended 31 December			Nine months ended 30 September	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(30,208)	(17,243)	(26,740)	(15,089)	(31,375)
Advance from/(repayment to) related parties		(59,574)	(73,621)	134,560	136,567	(80,538)
New borrowings		—	69,372	637,394	646,939	—
Repayment of borrowings		(173,700)	(231,241)	—	—	(1,141)
Net cash flows from/(used in) financing activities		(263,482)	(252,733)	745,214	768,417	(113,054)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(84,271)	(12,072)	3,685	720	(3,567)
Cash and cash equivalents at beginning of year/period		101,367	14,098	2,630	2,630	6,179
Effect of foreign exchange rate changes		(2,998)	604	(136)	(97)	(203)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*16*	14,098	2,630	6,179	3,253	2,409

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 31 March 2016. The registered office of the Target Company is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The principal activity of the Target Company is investment holding. The Target Company and its subsidiaries now comprising the Target Group are principally engaged in property development in the People's Republic of China (the "PRC"). There has been no significant change in the Target Group's principal activities during the Relevant Periods.

In the opinion of the Target Company Director, Da Tang Xi Shi International Group Limited ("DTXS International"), a limited liability company incorporated in Hong Kong, is the immediate holding company of the Target Company, and 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*) ("DTXS Investment"), a limited liability company incorporated in the PRC, is the ultimate holding company of the Target Company. DTXS Investment is ultimately controlled by Mr. Lu Jianzhong ("Mr. Lu"), a substantial shareholder and the Chairman of the Company.

Prior to August 2018, the legal owners of 西安大唐西市實業有限公司(Xi'an Da Tang Xi Shi Enterprise Limited*) ("DTXS Enterprise"), the operating subsidiary of the Target Group, were registered under the names of certain PRC individuals who were employees of DTXS Investment and its subsidiaries and held such equity interest in DTXS Enterprise in trust for Mr. Lu/DTXS Investment. For the period from August 2018 to September 2019, the Target Group underwent certain restructuring activities (the "Reorganisation") and summarised below are the principal events of the Reorganisation:

(a) In August and October 2018, the registered capital of DTXS Enterprise was increased from RMB50,000,000 to RMB166,500,000 and the additional capital, representing approximately 70% of the enlarged capital of DTXS Enterprise, was registered under the name of Wisdom Prismatic (HK) Limited ("Wisdom Prismatic HK"), HK DTXS Enterprise Holdings Limited ("HK DTXS Enterprise") and DTXS Enterprise Holdings Limited ("DTXS Enterprise HK"). Consequently, DTXS Enterprise was converted from a domestic enterprise to a Sino-foreign joint venture enterprise and was owned as to 1.5% by Wisdom Prismatic HK, 43.5% by HK DTXS Enterprise, 25% by DTXS Enterprise HK and 30% by certain PRC individuals in trust for Mr. Lu/DTXS Investment.

    Wisdom Prismatic HK, HK DTXS Enterprise and DTXS Enterprise HK were wholly-owned subsidiaries of Wisdom Prismatic Limited ("Wisdom Prismatic BVI"), the Target Company and DTXS Enterprise Holdings (BVI) Limited ("DTXS Enterprise BVI"), respectively, and the Target Company and DTXS Enterprise BVI are wholly-owned subsidiaries of DTXS International while Wisdom Prismatic BVI was wholly-owned by a third-party individual.

(b) In May 2019, the Target Company acquired the entire equity interest of Wisdom Prismatic BVI from the shareholder at a cash consideration of HK$1,000,000.

(c) In September 2019, the Target Company acquired the entire equity interest in DTXS Enterprise BVI from DTXS International at a consideration of USD1.

Upon completion of the above Reorganisation and as of 30 September 2019, DTXS Enterprise was owned as to 70% by the Target Group and 30% by other PRC parties in trust for Mr. Lu/DTXS Investment.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wisdom Prismatic Limited *(note a)*	BVI 6 November 2017	USD1	100	—	Investment holding
DTXS Enterprise Holdings (BVI) Limited (formerly known as Global Tea Culture Industry Investment Co Ltd) *(note a)*	BVI 11 January 2016	USD1	100	—	Investment holding
HK DTXS Enterprise Holdings Limited (formerly known as DTXS Jewellery Brand Design (Hong Kong) Limited) *(note b)*	Hong Kong 17 May 2016	HK$1	100	—	Investment holding
Wisdom Prismatic (HK) Limited *(note c)*	Hong Kong 20 July 2018	HK$1	—	100	Investment holding
DTXS Enterprise Holdings Limited (formerly known as Global Tea Culture Industry Investment (HK) Company Limited) *(note b)*	Hong Kong 19 January 2016	HK$1	—	100	Investment holding
DTXS Enterprise[#/##] *(note d)*	The PRC 11 December 2006	RMB166,500,000	—	70	Property development

[#] Registered as a Sino-foreign equity enterprise under the PRC law

[##] A bank loan of the Target Group as at 31 December 2016 was secured by share charges in respect of the equity interests of DTXS Enterprise (note 19).

Notes:

(a) No audited financial statements have been prepared for this entity since its incorporation as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong. The statutory financial statements of this entity for the year ended 31 December 2018 prepared under HKFRSs were audited by JRK Certified Public Accountants Limited, certified public accountants registered in Hong Kong.

(c) No audited financial statements have been prepared for this entity since this entity is incorporated on 20 July 2018 which was not yet subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(d) No statutory financial statements have been prepared for this entity during the Relevant Periods as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

* The English names of these entities represent the best effort made by management of the Target Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Target Company became the holding company all of the companies now comprising the Target Group on 26 September 2019. The companies now comprising the Target Group were under the common control of Mr. Lu (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for the Relevant Periods include the results and cash flows of all companies now comprising the Target Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018, and 30 September 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All significant intragroup transactions and balances have been eliminated on consolidation.

As at 30 September 2019, the Target Group has bank borrowings of RMB600 million (equivalent to approximately HK$658 million) which is repayable by 21 December 2020 or to be settled by the pre-sale proceeds of the relevant properties project in excess of RMB43 million (equivalent to HK$47 million) if it occurs before 21 December 2020. The Historical Financial Information has been prepared under the going concern basis because DTXS Investment has agreed to provide continual financial support and adequate funds for the Target Group and the Company also agreed to provide continual financial support to the Target Group upon completion of the Acquisition to meet its liabilities as and when they fall due.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provision, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

3.1 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and its and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Company the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are included in the Target Company's profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries are stated at cost less any impairment losses.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Leases

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Target Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases

The Target Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less from the commencement date and do not contain a purchase option. This recognition exemption is mainly applied to lease contracts of site offices, site equipment, office equipment and motor vehicles. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Target Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECL. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on

lifetime ECL at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Target Group chooses as its accounting policy to adopt the simplified approach in calculating ECL with policies as described above.

Financial liabilities at amortised cost

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within nine months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period

between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of properties

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Target Group has present right to payment and the collection of the consideration is probable.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to a customer. If the Target Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Target Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Target Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Target Group performs under the contract.

Contract cost

Other than the costs which are capitalised as properties under development and property and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Other employee benefits

The employees of the Target Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiary is required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Target Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the director the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders. Proposed final dividends are disclosed in the notes to the financial statements.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of an overseas subsidiary is currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the oversea subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Provision for surcharges and compensation payable to property buyers

As further disclosed in note 25 to the Historical Financial Information, the Target Group is liable to certain surcharges and compensation payable to property buyers as a result of the non-compliance with certain laws and regulations in the PRC and the terms of the sales contracts with property buyers. Provision for potential claims form property buyers will only be recognised when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated

reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. During the Relevant Periods, no provision for surcharges and compensation payable to property buyers was made and contingent liabilities in respect the aforesaid non-compliance are disclosed in note 25 to the Historical Financial Information.

Allocation of construction cost on properties under development

When developing properties, the Target Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Valuation of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC land appreciation tax

The Target Group is subject to land appreciation tax in the PRC. The provision of land appreciation tax is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authority upon the completion of the property development projects. The Target Group has not finalised its land appreciation tax calculation and payments with the tax authority for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise. The carrying amounts of provision for land appreciation tax as at 31 December 2016, 2017 and 2018, and 30 September 2019 were HK$21,917,000, HK$28,983,000, HK$29,144,000 and HK$29,008,000, respectively.

5. SEGMENT INFORMATION

The Target Group is principally engaged in property development in the PRC. The Target Company Director is identified as the chief operating decision maker for the purposes of resource allocation and performance assessment and considered the property development business to be a single operating segment. Accordingly, no segment information is reported. For the Relevant Periods, all revenue and non-current assets of the Target Group are derived and located in the PRC.

During the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Target Group's total revenue.

6. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue from contracts with customers					
Sale of properties	126,634	682,250	69,369	62,521	10,685
Other income					
Bank interest income	1,744	97	204	179	49
Rental income	1,509	2,262	2,328	1,484	1,040
Others	64	—	20	20	—
	3,317	2,359	2,552	1,683	1,089

Revenue from contracts with customers

(i) Disaggregated revenue information

All of the Target Group's revenue from the sale of properties during the Relevant Periods was recognised at a point in time.

(ii) Performance obligations

Information about the Target Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

Unsatisfied performance obligations related to sale of properties:

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Expected to be recognised within one year	610,721	77,748	37,354	32,026

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on borrowings	30,208	17,243	26,740	15,089	31,375
Interest expenses arising from revenue contracts	31,527	13,908	—	—	—
Less: interest capitalised	(61,735)	(13,908)	(26,740)	(15,089)	(31,375)
	—	17,243	—	—	—

8. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cost of properties sold	78,874	558,004	44,061	40,564	4,873
Depreciation *(note 11)*	217	702	976	715	689
Auditor's remuneration	—	—	—	—	—
Director's remuneration	—	—	—	—	—
Employee benefit expenses (including director's remuneration):					
Salaries and other staff costs	9,233	18,749	19,501	15,189	12,897
Pension scheme contributions	654	1,983	1,689	1,169	1,292
	9,887	20,732	21,190	16,358	14,189

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in the city in which the Target Group's subsidiary operates.

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current charge for the year/period					
PRC corporate income tax ("CIT")	3,689	11,066	—	—	—
PRC land appreciation tax ("LAT")	8,079	6,693	3,054	2,487	1,113
Deferred tax *(note 20)*	(4,106)	971	(3,032)	(2,272)	(3,121)
Total tax charge/(credit) for the year/period	7,662	18,730	22	215	(2,008)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Target Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit/(loss) before tax	4,300	53,793	(11,516)	(8,279)	(12,516)
Tax at the statutory tax rates of different jurisdictions	1,075	13,448	(2,879)	(2,070)	(3,129)
Expenses not deductible for tax	56	132	464	308	256
Tax losses not recognised	15	9	8	1	1
LAT	8,079	6,693	3,054	2,487	1,113
Tax effect of LAT deductible for CIT	(1,563)	(1,552)	(625)	(511)	(249)
Tax charge/(credit) at the Target Group's effective tax rate	7,662	18,730	22	215	(2,008)

10. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2016			
At 1 January 2016			
Cost	110	1,001	1,111
Accumulated depreciation	(50)	(284)	(334)
Net carrying value	60	717	777
At 1 January 2016, net of accumulated depreciation	60	717	777
Addition	13	—	13
Depreciation	(21)	(196)	(217)
Exchange realignment	(3)	(38)	(41)
At 31 December 2016, net of accumulated depreciation	49	483	532
At 31 December 2016			
Cost	116	935	1,051
Accumulated depreciation	(67)	(452)	(519)
Net carrying value	49	483	532
31 December 2017			
At 1 January 2017			
Cost	116	935	1,051
Accumulated depreciation	(67)	(452)	(519)
Net carrying value	49	483	532
At 1 January 2017, net of accumulated depreciation	49	483	532
Addition	57	3,686	3,743
Depreciation	(20)	(682)	(702)
Exchange realignment	4	139	143
At 31 December 2017, net of accumulated depreciation	90	3,626	3,716
At 31 December 2017			
Cost	183	4,817	5,000
Accumulated depreciation	(93)	(1,191)	(1,284)
Net carrying value	90	3,626	3,716

	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2018			
At 1 January 2018			
Cost	183	4,817	5,000
Accumulated depreciation	(93)	(1,191)	(1,284)
Net carrying value	90	3,626	3,716
At 1 January 2018, net of accumulated depreciation	90	3,626	3,716
Addition	154	—	154
Depreciation	(63)	(913)	(976)
Exchange realignment	(7)	(139)	(146)
At 31 December 2018, net of accumulated depreciation	174	2,574	2,748
At 31 December 2018			
Cost	323	4,591	4,914
Accumulated depreciation	(149)	(2,017)	(2,166)
Net carrying value	174	2,574	2,748
30 September 2019			
At 1 January 2019			
Cost	323	4,591	4,914
Accumulated depreciation	(149)	(2,017)	(2,166)
Net carrying value	174	2,574	2,748
At 1 January 2019, net of accumulated depreciation	174	2,574	2,748
Addition	54	—	54
Depreciation	(59)	(630)	(689)
Exchange realignment	(6)	(71)	(77)
At 30 September 2019, net of accumulated depreciation	163	1,873	2,036
At 30 September 2019			
Cost	363	4,422	4,785
Accumulated depreciation	(200)	(2,549)	(2,749)
Net carrying value	163	1,873	2,036

12. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties under development expected to be completed:				
Within normal operating cycle included under current assets	375,793	536,451	606,460	774,701
Outside normal operating cycle included under non-current assets	5,375	5,765	5,494	5,294
	381,168	542,216	611,954	779,995
Properties under development expected to be completed within normal operating cycle and recovered:				
After one year	375,793	536,451	606,460	774,701

At 31 December 2017 and 2018, and 30 September 2019, certain of the Target Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of HK$536,451,000, HK$606,460,000 and HK$774,701,000, respectively, were pledged to secure certain borrowings granted to the Target Group (note 19).

The analysis of carrying value of land included in properties under development is as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In the PRC, with remaining lease terms of:				
Within 50 years	296,359	387,150	373,599	370,015
After 50 years	5,375	5,765	5,494	5,294
	301,734	392,915	379,093	375,309

13. COMPLETED PROPERTIES HELD FOR SALE

All the completed properties held for sale are stated at the lower of cost and net realisable value.

The analysis of carrying value of land included in completed properties held for sale is as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In the PRC, with remaining lease terms of:				
Within 50 years	33,540	35,968	34,278	33,028
After 50 years	197,951	30,284	15,604	14,273
	231,491	66,252	49,882	47,301

At 31 December 2016, certain of the Target Group's completed properties held for sales, including the relevant land use rights, with an aggregate carrying amount of HK$638,108,000, were pledged to secure a borrowing granted to the Target Group (note 19).

14. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(Note a)*	2,025	909	—	—
Other receivables *(Note b)*	44,113	46,618	46,819	43,005
	46,138	47,527	46,819	43,005

Notes:

(a) Trade receivables

The Target Group's trade receivables arise from the sale of properties. Consideration in respect of the sale of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Target Group grants no credit period to its customers and the Target Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables at the end of the Relevant Periods, based on the property delivery date, is as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
91 — 180 days	—	718	—	—
Over 360 days	2,025	191	—	—
	2,025	909	—	—

The financial impact of ECL for trade receivables under HKFRS 9 is insignificant for the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019.

(b) Other receivables

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	7,579	13,913	19,271	16,405
Deposits	9,936	4,674	1,490	1,545
Other receivables	26,598	28,031	26,058	25,055
	44,113	46,618	46,819	43,005

The financial assets included in the above balances were not overdue and categorised in Stage 1 for the measurement of expected credit losses. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default and the timing and amount of future cash flows. Given the Target Group has not experienced any significant credit losses in the past, the Target Company Director considered that the allowance for expected credit losses for these deposits and receivables are not significant.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. BALANCES WITH RELATED PARTIES

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from related parties				
Controlling Shareholder	33,467	—	—	—
Ultimate holding company	—	—	—	105,484
Companies controlled by/related to the Controlling Shareholder	380,675	458,987	1,039,235	—
	414,142	458,987	1,039,235	105,484
Due to related parties				
Ultimate holding company	379,388	330,615	261,931	—
Companies controlled by/related to the Controlling Shareholder	77,500	458,291	566,757	1,117
	456,888	788,906	828,688	1,117

At 31 December 2016, 2017 and 2018, and 30 September 2019, balances with the related parties are unsecured, interest-free and are repayable on demand.

As at 31 December 2016, 2017 and 2018, and 30 September 2019, none of the amounts due from related companies were overdue and all the amounts due from related companies were categorised in Stage 1 for the measurement of expected credit losses. An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to risk of default of comparable companies. As DTXS Investment has agreed to provide continual financial support and adequate funds to those related companies to settle the balances with the Target Group, the Target Company Director considers the financial impact of ECL for amounts due from related parties is insignificant for the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019.

16. BANK BALANCES AND CASH

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	16,510	29,891	24,557	9,485
Less: Restricted bank deposits *(notes)*	(2,412)	(27,261)	(18,378)	(7,076)
Bank balances and cash	14,098	2,630	6,179	2,409

Notes:

(a) According to the relevant agreement signed by DTXS Enterprise with local government, DTXS Enterprise is required to place at designated bank accounts certain amounts as guarantee deposits for demolition and compensation matters of a property project. As at 31 December 2016, 2017 and 2018, and 30 September 2019, such balances amounted to nil, HK$24,673,000, HK$15,905,000 and HK$4,691,000, respectively.

(b) According to the relevant mortgage facility agreements signed by DTXS Enterprise with its banks, DTXS Enterprise is required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. These guarantee deposits will be released after the property ownership certificates of the relevant properties are passed to the banks. As at 31 December 2016, 2017 and 2018, and 30 September 2019, such deposits amounted to HK$2,412,000, HK$2,588,000, HK$2,473,000 and HK$2,385,000, respectively.

As at 31 December 2016, 2017 and 2018, and 30 September 2019, the cash and cash equivalents of the Target Group denominated in RMB amounted to HK$16,510,000, HK$29,891,000 HK$24,557,000 and HK$9,485,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Target Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(Note a)*	147,785	118,431	121,608	211,078
Other payables: *(Note b)*				
Deposits received	12,254	16,348	13,360	9,421
Other payables	38,706	68,932	67,210	62,838
Accruals	20	—	16	16
	50,980	85,280	80,586	72,275
	198,765	203,711	202,194	283,353

Notes:

(a) Trade payables

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	147,785	118,431	121,608	211,078

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

(b) Other payables

Other payables are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the above other payables approximate to their fair value.

18. CONTRACT LIABILITIES

Contract liabilities include advances received from buyers in connection with the Target Group's pre-sale of properties.

The fluctuation in contract liabilities during the Relevant Periods was mainly due to the increase in advances received from customers in relation to the sale of properties, offset by the decrease in advances received from customers upon recognition of revenue when the purchasers obtained the physical possession or the legal title of the relevant properties.

19. BORROWINGS

	As at 31 December									As at 30 September		
	2016			2017			2018			2019		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current:												
Borrowings — secured	9%	2017	223,115	—	—	—	—	—	—	—	—	—
Non-current:												
Borrowings — secured	—	—	—	RMB base lending rate x (1+30%)	2020	71,779	RMB base lending rate x (1+30%)	2020	684,073	RMB base lending rate x (1+30%)	2020	658,025

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Borrowings repayable:				
Within one year or on demand	223,115	—	—	—
In the second year	—	—	684,073	658,025
In the third to fifth years, inclusive	—	71,779	—	—
	223,115	71,779	684,073	658,025

Notes:

(a) The Target Group's term loan with an amount of nil, HK$71,779,000, HK$684,073,000 and HK$658,025,000 as at 31 December 2016, 2017 and 2018, and 30 September 2019, respectively, contains an early repayment clause that if the pre-sale proceeds of the relevant properties project exceeds RMB43 million (equivalent to HK$47 million) before 21 December 2020, the excess should be utilised to repay the loan balance.

(b) Borrowings of the Target Group as at 31 December 2016 is secured by the Target Group's completed properties held for sale (note 13) and share charges in respect of the equity interests of DTXS Enterprise (note 1).

(c) The Controlling Shareholder and a company controlled by the Controlling Shareholder have guaranteed the Target Group's bank loan up to HK$223,115,000 as at 31 December 2016.

(d) Borrowings of the Target Group as at 31 December 2017 and 2018, and 30 September 2019 are secured by the Target Group's properties under development (note 12).

(e) The borrowings of the Target Group as at 31 December 2017 and 2018, and 30 September 2019 bear interest at floating interest rate.

(f) The carrying amount of the borrowings of the Target Group approximates to the fair value.

20. DEFERRED TAX

Deferred tax assets

	Losses available for offsetting against future taxable profits	Accruals	Provision of LAT	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	—	—	6,004	6,004
Deferred tax credited to profit or loss during the year	—	2,544	1,562	4,106
Exchange realignment	—	(110)	(459)	(569)
At 31 December 2016 and 1 January 2017	—	2,434	7,107	9,541
Deferred tax credited/(charged) to profit or loss during the year	—	(2,523)	1,552	(971)
Exchange realignment	—	89	568	657
At 31 December 2017 and 1 January 2018	—	—	9,227	9,227
Deferred tax credited to profit or loss during the year	2,245	162	625	3,032
Exchange realignment	(77)	(5)	(454)	(536)
At 31 December 2018 and 1 January 2019	2,168	157	9,398	11,723
Deferred tax credited to profit or loss during the period	2,266	606	249	3,121
Exchange realignment	(164)	(29)	(352)	(545)
At 30 September 2019	4,270	734	9,295	14,299

As at 31 December 2016, 2017 and 2018, and 30 September 2019, the Target Group has tax losses arising in Mainland China of nil, nil, HK$8,980,000 and HK$17,745,000, respectively, that will expire in one to five years for offsetting against future taxable profits.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Target Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2016, 2017 and 2018, and 30 September 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Target Group's subsidiary established in Mainland China. In the opinion of the Target Company Director, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the

subsidiary in Mainland China for which deferred tax liabilities have not been recognised as at 31 December 2016, 2017 and 2018, and 30 September 2019 totalled HK$35,915,000, HK$59,957,000, HK$52,075,000 and HK$45,862,000, respectively.

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholders.

21. SHARE CAPITAL

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$*
Authorised:				
50,000 ordinary shares of USD1 each	387,500	387,500	387,500	387,500
Issued and fully paid:				
1 ordinary share of USD1 each	8	8	8	8

22. RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages II-7 to II-8.

Statutory surplus reserve

Transfers from retained earnings to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Target Company's subsidiary established in the PRC and were approved by the board of directors.

For the entity concerned, the statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

Capital reserve

Capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.

23. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Target Group's subsidiary that have material non-controlling interests are set out below:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
Percentage of equity interest held by non-controlling interests:				
DTXS Enterprise	31.5%	31.5%	31.5%	30%

	Year ended 31 December			Nine months ended 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year/period allocated to non-controlling interests:				
DTXS Enterprise	(1,039)	11,056	(3,624)	(3,152)
Accumulated balances of non-controlling interests at the reporting dates:				
DTXS Enterprise	71,125	84,836	79,218	70,954

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December			Nine months ended 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	126,634	682,250	69,369	10,685
Total expenses	(125,588)	(630,782)	(83,405)	(24,287)
Profit/(loss) for the year/period	(3,298)	35,098	(11,506)	(10,506)
Total comprehensive income/(loss) for the year/period	(10,344)	43,525	(17,837)	(14,682)
Current assets	1,620,310	1,333,117	1,922,603	1,126,022
Non-current assets	15,449	18,708	19,965	21,629
Current liabilities	1,536,146	1,136,969	1,113,195	1,037,032
Non-current liabilities	—	71,779	684,073	—
Net cash flows from/(used in) operating activities	79,731	(103,719)	(63,646)	(72,497)
Net cash flows from/(used in) investing activities	99,480	344,380	(677,883)	181,984
Net cash flows from/(used in) financing activities	(263,482)	(252,733)	745,214	(113,054)
Net increase/(decrease) in cash and cash equivalents	(84,271)	(12,072)	3,685	(3,567)

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the period ended 30 September 2019, the amounts due to related parties of HK$627,230,000 were settled by way of offsetting against the amounts due from related parties.

(ii) During the year ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2018 and 2019, the amounts due to related parties of HK$6,222,000, HK$14,906,000, HK$2,608,000, HK$2,000,000 and HK$457,000 were settled by transferring of completed properties held for sale.

(b) Changes in liabilities arising from financing activities

	Due to related parties	Borrowings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	972,654	416,567	1,389,221
Changes from investing cash flows	(412,957)	—	(412,957)
Changes from financing cash flows	(59,574)	(173,700)	(233,274)
Foreign exchange movement	(43,235)	(19,752)	(62,987)
At 31 December 2016 and 1 January 2017	456,888	223,115	680,003
Changes from investing cash flows	362,551	—	362,551
Changes from financing cash flows	(73,621)	(161,869)	(235,490)
Foreign exchange movement	43,088	10,533	53,621
At 31 December 2017 and 1 January 2018	788,906	71,779	860,685
Changes from investing cash flows	(55,013)	—	(55,013)
Changes from financing cash flows	134,560	637,394	771,954
Foreign exchange movement	(39,765)	(25,100)	(64,865)
At 31 December 2018 and 1 January 2019	828,688	684,073	1,512,761
Changes from investing cash flows	(121,658)	—	(121,658)
Changes from financing cash flows	(80,538)	(1,141)	(81,679)
Offsetting with amounts due from related parties	(627,230)	—	(627,230)
Foreign exchange movement	1,855	(24,907)	(23,052)
At 30 September 2019	1,117	658,025	659,142
(Unaudited)			
At 1 January 2018	788,906	71,779	860,685
Changes from investing cash flows	(63,222)	—	(63,222)
Changes from financing cash flows	136,567	646,939	783,506
Foreign exchange movement	(41,157)	(35,030)	(76,187)
At 30 September 2018	821,094	683,688	1,504,782

25. CONTINGENT LIABILITIES

Before and during the Relevant Periods, the Target Group did not comply with certain applicable laws and regulations in the PRC and the terms of the sales contract with property buyers, in particular, the Target Group delivered property units of certain projects to property buyers before obtaining the relevant completion certificates from the relevant government authorities and as a result, property buyers are unable to obtain the ownership certificates for the property units they purchased (the "Non-compliance"). As at 30 September 2019, the Target Group was in the process of applying for the relevant certificates.

As a result of the Non-compliance, the Target Group is liable to certain surcharges and compensation payable to the property buyers. In the opinion of the Target Company Director, after taking into account the advices from the Target Group's PRC legal adviser and historical claims made by property buyers, it is not probable that surcharges and compensation would be claimed by property purchasers in connection with the Non-compliance and therefore, no provision is recognised in the Historical Financial Information.

At the end of each of the reporting period, contingent liabilities in respect of potential claims from property buyers in connection with the Non-compliance are summarised as follows:

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Potential claims from property buyers in connection with the Non-compliance	17,747	14,260	19,430	21,396

26. FINANCIAL GUARANTEES

At the end of each of the reporting period, the Target Group had the following financial guarantees:

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the Target Group's properties *(note a)*	157,506	202,788	194,756	187,653
Guarantee in respect of a loan facility provided for a related party *(note b)*	—	—	—	329,562
Guarantee in respect of a loan facility provided for an independent third party *(note c)*	—	—	—	109,854
	157,506	202,788	194,756	627,069

Notes:

(a) During the Relevant Periods, the Target Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Target Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction or other appropriate means.

The Target Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties. The Target Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers.

(b) In April 2019, the Target Group provided a financial guarantee for a bank loan with a principal of RMB300,000,000 (equivalent to HK$329,562,000) obtained by Xi'an Da Tang Xi Shi Property Limited, a company controlled by the Controlling Shareholder. At the same time, DTXS Investment provided a counter financial guarantee in favour of the Target Group for its obligations under the said financial guarantee.

(c) In June 2019, the Target Group and DTXS Investment jointly and severally provided a financial guarantee for a loan with a principal of RMB100,000,000 (equivalent to HK$109,854,000) obtained by Xi'an Jinchique Trading Company Limited, an independent third party.

In the opinion of the Target Company Director, the fair value of the guarantees at initial recognition and the ECL allowance at the end of each of the Relevant Periods are not significant.

27. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Target Group leases its completed properties held for sale under operating lease arrangements, with leases negotiated for terms ranging from 5 to 10 years.

At the end of each of the reporting period, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,669	3,963	4,293	4,275
In the second to fifth years, inclusive	17,968	20,368	20,703	19,188
After five years	27,272	23,642	16,946	11,726
	48,909	47,973	41,942	35,189

28. COMMITMENTS

In addition to the operating lease arrangements detailed in note 27 above, the Target Group had the following capital commitments at the end of each of the reporting period:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for:				
Capital expenditure for properties under development	517,088	560,976	504,869	378,223

29. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Relevant Periods, the Target Group entered into the following transactions with its related parties:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of properties to companies controlled by/related to the Controlling Shareholder *(Note)*	6,222	14,906	2,608	2,000	457

Note:

The transactions were based on terms mutually agreed between the Target Group and the related party.

(b) Other transactions with related parties

(i) Details of the financial guarantees provided by the Target Group to its related party are disclosed in note 26(b) to the Historical Financial Information.

(ii) The Controlling Shareholder and a company controlled by the Controlling Shareholder have guaranteed a bank loan made to DTXS Enterprise of up to HK$223,115,000 as at 31 December 2016, as further detailed in note 19(c) to the Historical Financial Information.

(iii) During the period ended 30 September 2019, the amounts due to related parties of HK$627,230,000 were settled by way of offsetting against the amounts due from related parties.

(c) Outstanding balances with related parties

Details of the Target Group's balances with its related parties as at the end of each of the Relevant Periods are disclosed in note 15 to the Historical Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Target Group as at the end of each of the Relevant Periods are financial assets and financial liabilities at amortised cost.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments include trade receivables, deposits and other receivables, restricted bank deposits, pledged deposits, cash and cash equivalents, trade payables, other payables, and borrowings. Details of the major financial instruments and the Target Group's relevant accounting policies are disclosed in note 3.2 to the Historical Financial Information. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

Management meets periodically to analyse and formulate measures to manage the Target Group's exposure to financial risks, including principally interest rate risk, credit risk and liquidity risk. The Target Group had no significant exposures to foreign currency risk and equity price risk. Generally the Target Group employs a conservative strategy regarding its risk management.

Interest rate risk

The Target Group's exposure to changes in market interest rates relates primarily to the Target Group's borrowings with floating interest rates. The Target Group monitors the movement in interest rates on an ongoing basis and evaluates the exposure and the costs of available hedging for its debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Target Group's profit/loss before tax for the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019. There is no material impact on other components of the Target Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Decrease/ (increase) in loss before tax *HK$'000*
31 December 2016			
RMB	150	(3,099)	N/A
RMB	(150)	3,099	N/A
31 December 2017			
RMB	150	(628)	N/A
RMB	(150)	628	N/A
31 December 2018			
RMB	150	N/A	(9,892)
RMB	(150)	N/A	9,892
30 September 2019			
RMB	150	N/A	(9,728)
RMB	(150)	N/A	9,728

Credit risk

The table below shows the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2016, 2017 and 2018, and 30 September 2019.

As at 31 December 2016

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	2,025	—	—	—	2,025
Financial assets included in other receivables — Normal*	26,598	—	—	—	26,598
Due from related parties	414,142	—	—	—	414,142
Restricted bank deposits	2,412	—	—	—	2,412
Bank balances and cash	14,098	—	—	—	14,098
	459,275	—	—	—	459,275

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	909	—	—	—	909
Financial assets included in other receivables — Normal*	28,031	—	—	—	28,031
Due from related parties	458,987	—	—	—	458,987
Restricted bank deposits	27,261	—	—	—	27,261
Bank balances and cash	2,630	—	—	—	2,630
	517,818	—	—	—	517,818

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	—	—	—
Financial assets included in other receivables — Normal*	26,058	—	—	—	26,058
Due from related parties	1,039,235	—	—	—	1,039,235
Restricted bank deposits	18,378	—	—	—	18,378
Bank balances and cash	6,179	—	—	—	6,179
	1,089,850	—	—	—	1,089,850

As at 30 September 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	—	—	—
Financial assets included in other receivables — Normal*	25,055	—	—	—	25,055
Due from related parties	105,484	—	—	—	105,484
Restricted bank deposits	7,076	—	—	—	7,076
Bank balances and cash	2,409	—	—	—	2,409
	140,024	—	—	—	140,024

* The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Target Group's financial liabilities as at the end of the Relevant Periods, based on the contractual and undiscounted payments, was as follows:

As at 31 December 2016

	On demand	Within 1 year	1 to 2 years	3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	198,745	—	—	198,745
Borrowings	—	236,135	—	—	236,135
	—	434,880	—	—	434,880

As at 31 December 2017

	On demand	Within 1 year	1 to 2 years	3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	203,711	—	—	203,711
Borrowings	—	6,460	6,460	78,079	90,999
	—	210,171	6,460	78,079	294,710

As at 31 December 2018

	On demand	Within 1 year	1 to 2 years	3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	202,178	—	—	202,178
Borrowings	—	61,567	744,121	—	805,688
	—	263,745	744,121	—	1,007,866

As at 30 September 2019

	On demand	Within 1 year	1 to 2 years	3 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	283,337	—	—	283,337
Borrowings	—	—	658,025	—	658,025
	—	283,337	658,025	—	941,362

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total assets. Net debt includes borrowings and amounts due to the ultimate holding company less bank balances and cash. Total assets comprises all components of assets. The Target Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	223,115	71,779	684,073	658,025
Amounts due to the ultimate holding company	379,388	330,615	261,931	—
Less: Bank balances and cash	(14,098)	(2,630)	(6,179)	(2,409)
Net debt	588,405	399,764	939,825	655,616
Total assets	1,635,758	1,351,885	1,942,570	1,147,651
Gearing ratios	36%	30%	48%	57%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or its subsidiaries in respect of any period subsequent to 30 September 2019.

This discussion of the financial position and results of operations of the Target Group is based upon and should be read in conjunction with the Accountants' Report on the Target Group set out in Appendix II to this circular.

BACKGROUND

The Target Company is an investment holding company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, the Target Company, through its wholly-owned subsidiaries, indirectly holds approximately 69.97% of the registered capital of DTXS Enterprise. Thus, it holds approximately 69.97% interest of the Properties.

DTXS Enterprise is a sino-foreign joint venture established in the PRC with limited liability on 11 December 2006. DTXS Enterprise is principally engaged in property development. DTXS Enterprise mainly developed two residential and commercial property projects, namely West Market Jiajun and West Market Jiajing.

The following sets forth the management discussion and analysis of the Target Group for the years ended 31 December 2016, 2017 and 2018, and for the nine months ended 30 September 2019, respectively (the "Relevant Periods").

1. Financial and Business Performance

Revenue

The Target Group recorded revenue of approximately HK$126.6 million, HK$682.3 million, HK$69.4 million and HK$10.7 million for the Relevant Periods, respectively. The revenue of the Target Group is mainly derived from the sales of residential properties and the car parking space of West Market Jiajun and West Market Jiajing. During the Relevant Periods, the revenue from the sales of properties of West Market Jiajun and West Market Jiajing is approximately HK$118.7 million, HK$652.0 million, HK$47.5 million and HK$3.0 million, respectively. As at 30 September 2019, 420 out of 428 residential properties of West Market Jiajun has been sold and recognized as revenue during the Relevant Periods. As at 30 September 2019, 277 out of 291 residential properties of West Market Jiajing has been sold and recognized as revenue during the Relevant Periods.

The total revenue increased from approximately HK$126.6 million to approximately HK$682.3 million from the year ended 31 December 2016 to the year ended 31 December 2017 is mainly attributable to the completion of transfer of a majority of residential properties and the car parking space to the customers during the year ended 31 December 2017. The total revenue for the year ended 31 December 2018 was decreased to approximately HK$69.4 million because a lower number of residential properties and car parking space were transferred to the customers during that period. Due to the same reason, the total revenue for the nine months

ended 30 September 2019 was further reduced to approximately HK$10.7 million. As at 30 September 2019, West Market Jiajing has fourteen unsold residential units and West Market Jiajun has eight unsold residential units.

Cost of sales

The cost of sales mainly represents the cost of properties transferred to the customers. The cost of sales for the Relevant Periods were approximately HK$78.9 million, HK$558.0 million, HK$44.1 million and HK$4.9 million, respectively. The fluctuation of cost of sales are in line with the changes in revenue for the Relevant Periods.

Other income

Other income mainly refers to the interest income from the cash balance deposited in the bank and the rental income derived from the properties of West Market Tao Yuan. The Target Group recorded other income of approximately HK$3.3 million, HK$2.4 million, HK$2.6 million and HK$1.1 million during the Relevant Periods, respectively.

Selling and distribution expenses

Selling and distribution expenses for the Relevant Periods were approximately HK$33.6 million, HK$28.0 million, HK$8.9 million and HK$2.1 million, respectively. The selling and distribution expenses mainly include advertising expenses and staff cost incurred by the selling and marketing department. The decrease in the selling and distribution expenses was primarily due to (i) the decrease in the advertising expenses as a majority of the properties of West Market Jiajun and West Market Jiajing had been sold during the two years ended 31 December 2016 and 2017 and the relevant marketing activities were gradually reduced; and (ii) the decrease in the staff cost paid to the property sales team.

Administrative expenses

Administrative expense for the Relevant Periods were approximately HK$13.1 million, HK$27.6 million, HK$30.4 million and HK$17.4 million, respectively. The administrative expenses mainly include staff cost of the back-office departments, social insurance and other professional fees. The administrative expenses increased from approximately HK$13.1 million to approximately HK$27.6 million from the year ended 31 December 2016 to the year ended 31 December 2017 because of the increased in staff cost. The administrative expenses slightly increased to approximately HK$30.4 million for the year ended 31 December 2018. The Target Group recorded administrative expenses of approximately HK$17.4 million during the nine months ended 30 September 2019, representing a decrease of approximately HK$6.2 million or 26.3% as compared to the same period of 2018. The decrease was mainly driven by the reduction in staff cost of the back-office departments and consultancy fee.

Finance costs

Finance costs represented interest on borrowings which charged to the consolidated statements of profit or loss. During the Relevant Periods, the finance costs included (i) approximately HK$30.2 million, HK$17.2 million, HK$26.7 million and HK$31.4 million was incurred for the interest on borrowings, respectively; (ii) approximately HK$31.5 million, HK$13.9 million, HK$nil and HK$nil was incurred for the interest expenses arising from revenue contracts, respectively; and (iii) approximately HK$61.7 million, HK$13.9 million, HK$26.7 million and HK$31.4 million was capitalised to properties under development and completed properties held for sale based on the amount of borrowings incurred in relation to the construction of properties, respectively.

Income tax expenses

Income tax expenses were approximately HK$7.7 million, HK$18.7 million and HK$22 thousand for the years ended 31 December 2016, 2017 and 2018, respectively. The increase in the income tax expenses from the year ended 31 December 2016 compared to the year ended 31 December 2017 was mainly derived from (i) the recognition of PRC corporate income tax of approximately HK$3.7 million and HK$11.1 million; and (ii) the recognition of PRC land appreciation tax of approximately HK$8.1 million and HK$6.7 million for the years ended 31 December 2016 and 2017, respectively, offsetting by the deferred tax credit of approximately HK$4.1 million for the years ended 31 December 2016 and further increased by the deferred tax charge of approximately HK$1.0 million for the year ended 31 December 2017, respectively.

The Target Group recorded a decrease of income tax expenses to approximately HK$22 thousand for the year ended 31 December 2018 as the Target Group recorded PRC land appreciation tax of approximately HK$3.1 million but offsetting by deferred tax credit of approximately HK$3.0 million. During the nine months ended 30 September 2018 and 2019, the Target Group recorded income tax expense of approximately HK$0.2 million and income tax credit of approximately HK$2.0 million, respectively.

Net profit/(loss) after income tax expenses

As a result of the forgoing factors, the Target Group recorded net loss after income tax expenses of approximately HK$3.4 million for the year ended 31 December 2016. Due to the recognition of revenue of approximately HK$682.3 million during the year ended 31 December 2017, the Target Group recorded net profit after income tax expenses of approximately HK$35.1 million. During the year ended 31 December 2018, the Target Group recorded net loss after income tax expenses of approximately HK$11.5 million. During the nine months ended 30 September 2018 and 2019, the Target Group recorded net loss after income tax expenses of approximately HK$10.5 million and HK$9.0 million, respectively.

2. Capital Structure, Liquidity and Financial Resources

The Target Group finances its property development and construction work through its paid-in capital, internal resources (generated from the sale of the property units), bank borrowings and amount advance from related parties. During the Relevant Periods, the Target Group obtained borrowings to finance its operation. As at 31 December 2016, 2017 and 2018, and 30 September 2019, the Target Group recorded borrowings of approximate HK$223.1 million, HK$71.8 million, HK$684.1 million and HK$658.0 million, respectively. These borrowings were denominated in RMB and bore a fixed annual interest rate of 9% during the year ended 31 December 2016. During the years ended 31 December 2017 and 2018, and the nine months ended 30 September 2019, the borrowings are denominated in RMB and bore a floating interest rate adjusted upward by 30% based on the basic interest rate of the People's Bank of China. The gearing ratios as a ratio of net debt (including aggregation of borrowings and amount due to the ultimate holding company minus the bank balances and cash) over total assets, were 36%, 30%, 48% and 57% as at 31 December 2016, 2017 and 2018, and 30 September 2019, respectively.

As at 31 December 2016, 2017 and 2018, and 30 September 2019, the bank balances and cash were denominated in RMB and was approximately HK$14.1 million, HK$2.6 million, HK$6.2 million and HK$2.4 million, respectively.

During the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, the total current assets of the Target Group were HK$1,620.3 million, HK$1,333.2 million, HK$1,922.6 million and HK$1,126.0 million, respectively and the total current liabilities were HK$1,536.2 million, HK$1,137.1 million, HK$1,133.3 million and HK$1,038.2 million, respectively. As at 31 December 2016, 2017 and 2018, and 30 September 2019, the current ratios were 1.05, 1.17, 1.70 and 1.08, respectively.

3. Segment information

The Target Group is principally engaged in the property development in the PRC, which is considered as a single operating segment. All of the Target Group's revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no segment information is reported.

4. Charge of assets

As at 31 December 2016, 2017 and 2018, and 30 September 2019, the Target Group recorded borrowings of approximately HK$223.1 million, HK$71.8 million, HK$684.1 million and HK$658.0 million, respectively. As at 30 September 2019, the borrowings are secured by properties under development of the Target Group.

5. Contingent liabilities

As at 31 December 2016, 2017 and 2018, and 30 September 2019, the contingent liabilities disclosed by the Target Group were approximately HK$17.7 million, HK$14.3 million, HK$19.4 million and HK$21.4 million, respectively. The contingent liabilities refer to the potential claims from property buyers in connection with the non-compliance of certain applicable laws and regulations in the PRC and the terms of the sales contract with property buyers before and during the Relevant Periods (the "Non-compliance"). Details of the Non-compliance please refer to note 25 to the Accountants' Report on the Target Group as set out in Appendix II of this circular.

6. Foreign currencies

During the years ended 31 December 2016, 2017 and 2018, and 30 September 2019, a vast majority of the business transactions, assets and liabilities of the Target Group were denominated in RMB. Therefore, the Target Group has minimal exposure to currency exchange risk and the Target Group did not hold any financial instruments for hedging purposes.

7. Employees and Remuneration Policies

During the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019, the Target Group employed 58, 127, 124 and 128 employees, respectively. Staff recruitment and promotion of the Target Group are primarily determined based on the employee's experience, qualification and performance. The remuneration and staff benefit policies are performance-based and are determined with reference to the competitive market salary levels. During the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019, remuneration paid to the employees of the Target Group were approximately HK$9.9 million, HK$20.7 million, HK$21.2 million and HK$14.2 million, respectively.

The Target Group provides in-house or external training to their employees when necessary.

8. Capital commitment

As at 31 December 2016, 2017 and 2018, and 30 September 2019, the capital commitments of the Target Group were approximately HK$522.5 million, HK$569.7 million, HK$539.5 million and HK$515.3 million, respectively.

9. Material acquisitions and disposals of subsidiaries and associated companies

During the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019, the Target Group had no material acquisitions and disposals of subsidiaries and associated companies.

10. Significant investments held and future plans

During the Relevant Periods, the significant investments held by the Target Group were properties under development and completed properties held for sale. As at 31 December 2016, 2017 and 2018, and 30 September 2019, properties under development were approximately HK$381.2 million, HK$542.2 million, HK$612.0 million and HK$780.0 million, respectively, and will be developed into commercial, office and hotel complex for commercial activities and tourism. As at 31 December 2016, 2017 and 2018, and 30 September 2019, completed properties held for sale, which included unsold commercial units, residential units and car parking space of West Market Tao Yuan, West Market Jiajing and West Market Jiajun, were amounted to approximately HK$767.7 million, HK$260.3 million, HK$205.5 million and HK$193.3 million, respectively.

The properties under development will be financed by the capital injection of approximately RMB116.5 million from the Purchaser, the internal resources generated from the sale of properties and interest-bearing bank borrowings.

A. INTRODUCTION

This unaudited pro forma consolidated statement of financial position (the "Unaudited Pro Forma Financial Information") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Proposed Acquisition by illustrating how the Proposed Acquisition might have affected the financial position of the Group as at 30 June 2019, had the Proposed Acquisition taken place on 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group, as enlarged by the Proposed Acquisition, that would have been attained had the Proposed Acquisition been completed on 30 June 2019. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Proposed Acquisition.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from the published interim report of the Group for the six months ended 30 June 2019, and the audited consolidated statement of financial position of the Target Group as at 30 September 2019, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2019

Unaudited pro forma consolidated statement of financial position

	The Group as at 30 June 2019	The Target Group as at 30 September 2019	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			Note 2(a)	*Note 2(b)*	*Note 2(c)*	
NON-CURRENT ASSETS						
Property, plant and equipment	180,102	2,036				182,138
Intangible assets	86,015	—				86,015
Deferred tax assets	—	14,299				14,299
Goodwill	131,065	—				131,065
Properties under development	—	5,294				5,294
Total non-current assets	397,182	21,629				418,811
CURRENT ASSETS						
Inventories	44,281	—				44,281
Properties under development	—	774,701				774,701
Completed properties held for sale	—	193,347				193,347
Trade and other receivables	309,484	43,005				352,489
Due from related parties	—	105,484	(105,484)			—
Loan receivables	4,945	—				4,945
Restricted bank balances	—	7,076				7,076
Bank balances and cash	28,422	2,409	105,484	(211,669)	(4,367)	(79,721)
Total current assets	387,132	1,126,022				1,297,118
CURRENT LIABILITIES						
Trade and other payables	24,345	283,353				307,698
Due to related parties	—	1,117				1,117
Contract liabilities	—	32,026				32,026
Borrowings	58,634	—				58,634
Tax liabilities	6,632	63,645				70,277
Lease liabilities	1,997	—				1,997
Total current liabilities	91,608	380,141				471,749
NET CURRENT ASSETS	295,524	745,881				825,369
TOTAL ASSETS LESS CURRENT LIABILITIES	692,706	767,510				1,244,180

	The Group as at 30 June 2019	The Target Group as at 30 September 2019	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			Note 2(a)	*Note 2(b)*	*Note 2(c)*	
NON-CURRENT LIABILITIES						
Deferred tax liabilities	22,052	—				22,052
Borrowings	—	658,025				658,025
Lease liabilities	3,060	—				3,060
Total non-current liabilities	25,112	658,025				683,137
Net assets	667,594	109,485				561,043
EQUITY						
Equity attributable to owners of the parent						
Share capital	277,969	—*		—		277,969
Reserves	381,736	38,531		(211,669)	(4,367)	204,231
	659,705	38,531				482,200
Non-controlling interests	7,889	70,954				78,843
Total equity	667,594	109,485				561,043

* *Share capital of Target Company amounted to HK$8 as at 30 September 2019.*

Notes:

1. Basis of preparation

This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from the published interim report of the Group for the six months ended 30 June 2019, and (ii) the audited consolidated statement of financial position of the Target Group as at 30 September 2019, which has been extracted from the accountants' report of the Target Group included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Proposed Acquisition had been completed on 30 June 2019.

This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in the published interim report for the six months ended 30 June 2019.

2. Notes to the pro forma adjustments

(a) Pursuant to the Share Purchase Agreement, the Vendor shall fully settle the amounts due from related companies of DTXS Enterprise before the completion of the Proposed Acquisition (the "Debt Settlement"). For the purpose of the Unaudited Pro Forma Financial Information, the amount for the Debt Settlement is assumed to be equal to the carrying amount of the amounts due from related companies of DTXS Enterprise as at 30 September 2019 of HK$105,484,000.

(b) Due to the fact that the Group and the Target Group are ultimately controlled by Mr. Lu before and after the Proposed Acquisition, the Group elects to account for this common control combination using the pooling-of-interests method.

Under the pooling-of-interests method, the assets and liabilities of the Target Group are stated at their historical carrying values at the date of acquisition and the difference between the consideration transferred for a business combination under common control and the acquisition date historical net asset values of the Target Group attributable to the Group combined by the Group is accounted for as a contribution from or a distribution to, as appropriate, holding companies in the consolidated statement of changes in equity. Accordingly, there is no goodwill or gain on bargain purchase as a result of a business combination under common control. The results of the Target Group under a business combination under common control are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Details of the calculation of distribution to the controlling shareholder is summarised below:

	HK$'000
Cash consideration	211,669
Less: Net assets value of the Target Group attributable to the Group	(38,531)
Distribution to the controlling shareholder included in merger reserve in equity	173,138

The adjustment represents (i) the cash payment of RMB190,000,000 (equivalent to HK$211,669,000) for the Proposed Acquisition; (ii) the elimination of the share capital of the Target Company of HK$8; and (iii) the excess of the consideration over the net assets value of the Target Group of HK$173,138,000 is recognised as a distribution to the controlling shareholder in merger reserve.

(c) For the purpose of this Unaudited Pro Forma Financial Information, the transaction costs, such as professional services fees, that are directly attributable to the Proposed Acquisition are estimated to be HK$4,367,000 and are charged to profit or loss upon completion of the Proposed Acquisition.

(d) Notwithstanding that a negative bank balances and cash of HK$79,721,000 was shown on the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the Directors, after taken into account the Group's issue of subscription shares as disclosed in the Company's announcement dated 28 August 2019, considered that the Group will have sufficient funds to finance the Proposed Acquisition.

(e) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2019 and 30 September 2019, respectively.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, on the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared, for incorporation in this circular:

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 February 2020

The Directors
DTXS Silk Road Investment Holdings Company Limited
Room 811–817, 8/F
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of DTXS Silk Road Investment Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purpose only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2019 and the related notes set out in pages IV-2 to IV-5 to the circular dated 21 February 2020 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the proposed acquisition of the 100% equity interest in HK DTXS Enterprise Holdings (BVI) Limited and its subsidiaries (collectively the "Target Group")(the "Proposed Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2019 as if the Proposed Acquisition had taken place on 30 June 2019. As part of this process, information about the Group's and the Target Group's financial position have been extracted by the Directors from the Group's unaudited consolidated financial statements for the six months ended 30 June 2019, on which the interim report has been published, and the accountants' report on the Target Group included in Appendix II to this Circular, respectively.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the property interests as at 30 November 2019.

仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

21 February 2020

The Board of Directors
DTXS Silk Road Investment Holdings Company Limited
Room 811-817, 8/F
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Dear Sirs,

The Board of DTXS Silk Road Investment Holdings Company Limited (大唐西市絲路投資控股有限公司, the "Company") announced that on 29 November 2019, DTXS Silk Road Investment Development Company Limited (大唐西市絲路投資發展有限公司, the "Purchaser") entered into the Share Purchase Agreement with Da Tang Xi Shi International Group Limited (大唐西市國際集團有限公司, the "Vendor", a direct wholly-owned subsidiary of Da Tang Xi Shi Investments Group Limited (大唐西市文化產業投資集團有限公司, the "DTXS Investment")), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of HK DTXS Enterprise Holdings (BVI) Limited (香港大唐西市實業控股有限公司, the "Target Company", a direct wholly-owned subsidiary of the Vendor) subject to and upon the terms and conditions of the Share Purchase Agreement. As at the Latest Practicable Date, the Target Company indirectly holds in aggregate approximately 69.97% of the registered capital of the Xi'an Da Tang Xi Shi Enterprise Limited (西安大唐西市實業有限公司, the "DTXS Enterprise", the sole legal and beneficial owner of the properties and land located in the Tang West Market in Xi'an City, Shaanxi Province, the People's Republic of China (the "PRC"), the "Properties") and therefore owns approximately 69.97% of the equity interest of the Properties. Please refer to the Appendix A for the location map of the Properties.

In accordance with your instructions to value the property interests to be acquired by the Company and its subsidiaries (hereinafter together referred to as the "Group") in the PRC for disclosure purpose, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 November 2019 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I, III and IV by direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the property interest in Group II which was under development as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Construction Work Planning Permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Silkroad Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in December 2019 by Ms. Jun Yang, who obtained a master degree in Finance and has more than 4 years of experience in the valuation of properties in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests to be acquired by the Group in the PRC

No.	Property	Market value in existing state as at the valuation date *RMB*
Group I — Completed Properties held for sale in the PRC		
1.	The remaining unsold residential, retail units and mechanical and flat car parking spaces of West Market Jiajing (西市佳境) located at the north of South 2nd Ring and the east of Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	70,500,000
2.	The remaining unsold residential, retail units and mechanical and flat car parking spaces of West Market Jiajun (西市佳郡) located at No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	276,900,000
3.	The remaining unsold units of Building No. 7 of West Market Tao Yuan (西市桃園) located at Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	No commercial value
4.	13 retail units of Buildings No. 3 and No. 4 of West Market Tao Yuan (西市桃園) located at Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	No commercial value
	Sub-total:	**347,400,000**

No.	Property	Market value in existing state as at the valuation date *RMB*
Group II — Property held under development in the PRC		
5.	The land and buildings under development located at No. 118 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	826,100,000
	Sub-total:	**826,100,000**
Group III — Property held for future development in the PRC		
6.	Portions of 5 parcels of land held for future development located at the north of South 2nd Ring and the east of Tao Yuan South Road, and Dong Tao Yuan Village, Lianhu District, Xi'an City, Shaanxi Province, the PRC	228,400,000
	Sub-total:	**228,400,000**
Group IV — Property contracted to be acquired in the PRC		
7.	Portions of 3 parcels of land located at the north of South 2nd Ring and the east of Tao Yuan South Road, and Dong Tao Yuan Village, Lianhu District, Xi'an City, Shaanxi Province, the PRC	No commercial value
	Sub-total:	**Nil**
	Grand total:	**1,401,900,000**

Notes:

i) In the valuation of Property No. 3 with a total gross floor area of approximately 6,579.84 sq.m., according to the legal opinion issued by the Company's PRC legal adviser, DTXS Enterprise has obtained the aforesaid State-owned Land Use Rights Certificate by way of land allocation and the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities, therefore we have attributed no commercial value to Property No. 3. However, for reference purpose, we are of the opinion that the market value of Property No. 3 as at the valuation date would be RMB98,700,000 assuming the property could be freely transferred without payment of any further land premium, penalty or transfer fees.

ii) In the valuation of Property No. 4 with a total gross floor area of approximately 3,825.78 sq.m., according to the legal opinion issued by the Company's PRC legal adviser, DTXS Enterprise has obtained the aforesaid State-owned Land Use Rights Certificate by way of land allocation and the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities, therefore we have attributed no commercial value to Property No. 4. However, for reference purpose, we are of the opinion that the market value of Property No. 4 as at the valuation date would be RMB65,600,000 assuming the property could be freely transferred without payment of any further land premium, penalty or transfer fees.

iii) In the valuation of portion of Property No. 6 with a site area of approximately 3,147.58 sq.m., according to the legal opinion issued by the Company's PRC legal adviser, for the land with a site area of approximately 3,147.58 sq.m. of Property No. 6, DTXS Enterprise has obtained the State-owned Land Use Rights Certificate by way of land allocation and the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities, therefore we have attributed no commercial value to such portion of Property No. 6. However, for reference purpose, we are of the opinion that the market value of the portion of Property No. 6 as at the valuation date would be RMB51,800,000 assuming the land could be freely transferred without payment of any further land premium, penalty or transfer fees.

iv) In the valuation of Property No. 7 with a total site area of approximately 7,586.7 sq.m., as at the valuation date, Property No. 7 does not has title certificate and it has not been assigned to the Group and thus the title of the property has not been vested in the Group, therefore we have attributed no commercial value to Property No. 7 due to the lack of title certificate. However, for reference purpose, we are of the opinion that the market value of Property No. 7 as at the valuation date would be RMB145,900,000, assuming the property is on clear and vacant site state, the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property, and the property will be granted for terms of 70 years for residential use and 40 years for commercial use.

VALUATION CERTIFICATE

Group I — Completed Properties held for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	The remaining unsold residential units, retail units and mechanical and flat car parking spaces of West Market Jiajing (西市佳境) located at the north of South 2nd Ring and the east of Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	West Market Jiajing is located at the north of South 2nd Ring and the east of Tao Yuan South Road. It is well-served by public transportation. The vicinity of project West Market Jiajing comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. The Northwestern Polytechnical University is located at the east of it. Completed in 2014, West Market Jiajing is a residential and commercial development with a total gross floor area of approximately 66,922 sq.m. and is erected on 4 parcels of land with a total site area of approximately 17,307.94 sq.m. The property comprises 13 residential units, 2 retail units, 79 mechanical car parking spaces and 12 flat car parking spaces of West Market Jiajing with a total gross floor area of approximately 4,137.11 sq.m. (excluding mechanical and flat car parking spaces). The classification, usage and gross floor area details of the property were set out in note 6. The land use rights of the property have been granted for terms expiring on 29 December 2082 for residential use and 29 December 2052 for commercial use.	As at the valuation date, the property was vacant for sale.	70,500,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts dated 13 December 2012, the land use rights of 3 parcels of land with a total site area of approximately 17,308.10 sq.m. (including the land use rights of the property) were contracted to be granted to DTXS Enterprise for terms of 70 years for residential use and 40 years for commercial use. The land premium was RMB28,680,000. As advised by DTXS Enterprise, the land premium had been fully paid.

2. Pursuant to 4 State-owned Land Use Rights Certificates — Xi Lian Guo Yong (2014 Chu) Di Nos. 079, 080, 092 and 094, the land use rights of 4 parcels of land with a total site area of approximately 17,307.94 sq.m. (including the land use rights of the property) have been granted to DTXS Enterprise for terms expiring on 29 December 2082 for residential use and 29 December 2052 for commercial use.

3. Pursuant to a Construction Work Planning Permit — Xi Cheng Peng Jian Zi Di (2011) No. 004 in favour of DTXS Enterprise, Phase I Residence of Urban Renewal Project of Dong Tao Yuan Village in Lianhu area (蓮湖區東桃園村城中村改造一期住宅社區, including West Market Jiajing) with a total gross floor area of approximately 290,719 sq.m. (including the property) have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Cheng Gai Nos. 027 and 028 (Bu) in favour of DTXS Enterprise, permissions by the relevant local authority were given to commence the construction of Section I and Section II of Phase II of Tang West Market Residence (大唐西市二期住宅工程一標段、二標段, including West Market Jiajing) with a total gross floor area of approximately 77,000 sq.m. (including the property).

5. Pursuant to 3 Pre-sales Permits — Shi Fang Yu Shou Zi Di Nos. 20111208, 20111209 and 20111210 in favour of DTXS Enterprise, DTXS Enterprise is entitled to sell portion of Buildings Nos. 1 to 6 (representing 291 residential units, 2 retail units with a total gross floor area of approximately 67,160 sq.m. (excluding mechanical and flat car parking spaces) to purchasers.

6. According to the information provided by the Group, the usage and gross floor area details of the property are set out as below:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**No. of car parking space**
Group I — Completed Properties held for sale in the PRC	Residential	2,888.79	
	Retail	1,248.32	
	Mechanical car parking space		79
	Flat car parking space		12
	Total:	**4,137.11**	**91**

7. According to the legal opinion issued by the Company's PRC legal adviser, DTXS Enterprise has the rights to use and transfer the usage rights of mechanical and flat car parking spaces of West Market Jiajing (including the property) as at the valuation date, therefore, we have attributed commercial value to the mechanical and flat car parking spaces. The breakdown of the market value of the property are set out as below:

Usage	**Gross Floor Area** *(sq.m.)*	**No. of car parking space**	**Market value in existing state as at the valuation date** *RMB*
Residential	2,888.79		31,900,000
Retail	1,248.32		25,200,000
Mechanical car parking space		79	10,600,000
Flat car parking space		12	2,800,000
Total:	**4,137.11**	**91**	**70,500,000**

8. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparables ranges from RMB11,000 to RMB15,000 per sq.m. for residential units, RMB25,000 to RMB30,000 per sq.m. for retail units on the ground floor and RMB180,000 to RMB280,000 per space for flat car parking spaces and RMB90,000 to RMB150,000 per space for mechanical car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at an assumed unit rate for the property.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. DTXS Enterprise has paid the land premium in respect of the property in full and obtained the State-owned Land Use Rights Certificates;

   b. DTXS Enterprise has obtained the requisite approvals in respect of the development and construction of the property and sale of residential and retail units of the property from local authorities and the approvals are legal and valid;

   c. DTXS Enterprise has the rights to use the apportioned land use rights of mechanical and flat car parking spaces of project West Market Jiajing (including the property), and has the rights to use and transfer the rights of mechanical and flat car parking spaces; and

   d. There is no material legal impediment for DTXS Enterprise in obtaining Building Ownership Certificate after completing the procedure of planning acceptance and construction work completion and inspection acceptance.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit (Exclusive of 79 mechanical car parking spaces and 12 flat car parking spaces)	Yes
f.	Construction Work Completion and Inspection Certificate/Table	No
g.	Building Ownership Certificate	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	The remaining unsold residential units, retail units and mechanical and flat car parking spaces of West Market Jiajun (西市佳郡) located at No. 188 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	West Market Jiajun is located at No. 188 Laodong South Road. It is well-served by public transportation. The vicinity of project West Market Jiajun comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. The Northwestern Polytechnical University is located at the east of it. Completed in 2016, West Market Jiajun is a residential and commercial development with a total gross floor area of approximately 105,161.4 sq.m. and is erected on 4 parcels of land with a total site area of approximately 13,449.39 sq.m. The property comprises 7 residential units, 12 retail units, 114 mechanical car parking spaces and 342 flat car parking spaces of West Market Jiajun with a total gross floor area of approximately 10,267.29 sq.m. (excluding mechanical and flat car parking spaces). The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for terms expiring on 17 February 2083 for residential use and 17 February 2053 for commercial use respectively.	As at the valuation date, portions of retail units were rented to independent third parties for commercial purpose, and the remaining portions of the property were vacant for sale.	276,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 13 December 2012, the land use rights of a parcel of land with a site area of approximately 29,325.19 sq.m. (including the land use rights of the property) were contracted to be granted to DTXS Enterprise for terms of 70 years for residential use and 40 years for commercial use. The total land premium was RMB53,090,000. As advised by DTXS Enterprise, the land price had been fully paid.

2. Pursuant to a State-owned Land Use Rights Grant Contract Variation Agreement dated 31 October 2016, the land use rights of a parcel of land with a site area of approximately 29,325.19 sq.m. were contracted to be divided into 2 parcels of land. The land use rights of portion of a parcel of land with a site area of approximately 11,066.67 sq.m. and portion of the remaining parcel of land with a site area of approximately 2,382.67 sq.m. (including the land use rights of the property) were granted to DTXS Enterprise for terms 70 years for residential use and 40 years for commercial use. The total land premium was RMB28,973,032. As advised by the DTXS Enterprise, the land premium had been fully paid.

3. Pursuant to a Real Estate Title Certificate — Shan (2017) Xi An Shi Bu Dong Chan Quan Di No. 0000124, the land use rights of a parcel of land with a site area of approximately 13,449.34 sq.m. (including the land use rights of the property) have been granted to DTXS Enterprise for terms expiring on 17 February 2083 for residential use and 17 February 2053 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Xi Cheng Peng Jian Zi Di (2013) No. 006 — 1 in favour of DTXS Enterprise, Building Nos. 4 to 5, 8 to 10 and underground car parking spaces of A1 of Urban Renewal Project of Dong Tao Yuan Village in Lianhu area (A1) (蓮湖區東桃園村城中村綜合改造項目 (A1), including West Market Jiajun) with a total gross floor area of approximately 105,161.40 sq.m. (including the property) have been approved for construction.

5. Pursuant to a Construction Work Commencement Permit — Cheng Gai No. 161 in favour of DTXS Enterprise, permissions by the relevant local authority were given to commence the construction of Phase III A1 Zone of Urban Renewal Project of Dong Tao Yuan Village in Lianhu area (蓮湖區東桃園村城中村改造綜合項目三期A1區, including project West Market Jiajun) with a total gross floor area of approximately 105,161.40 sq.m. (including the property).

6. Pursuant to a Pre-sales Permit — Shi Fang Yu Shou Zi Di No. 2015001 in favour of DTXS Enterprise, DTXS Enterprise is entitled to sell portion of Building Nos. 4 to 5, 8 to 10 (representing 428 residential units, 12 retail units and 654 underground car parking spaces with a total gross floor area of approximately 61,978.40 sq.m. (excluding mechanical and flat car parking spaces) to purchasers.

7. As at the valuation date, portions of retail units of the property with total gross floor area of approximately 230 sq.m. were leased to 2 tenants temporarily with the expiry dates on 31 December 2019. The monthly rent of those units range from RMB30 per sq.m. to RMB40 per sq.m., exclusive of management fees, water and electricity charges.

8. According to the information provided by the Group, the usage and gross floor area details of the property are set out as below:

Group	**Usage**	**Gross Floor Area** *(sq.m.)*	**No. of car parking space**
Group I — Completed Properties held for sale in the PRC	Residential	1,017.26	
	Retail	9,250.03	
	Mechanical car parking space		114
	Flat car parking space		342
	Total:	**10,267.29**	**456**

9. According to the legal opinion issued by the Company's PRC legal adviser, DTXS Enterprise has the rights to use and transfer the usage rights of mechanical and flat car parking spaces of West Market Jiajun (including the property) as at the valuation date, therefore, we have attributed commercial values to the mechanical and flat car parking spaces. The breakdown of the market value of the property are set out as below:

Usage	**Gross Floor Area** *(sq.m.)*	**No. of car parking space**	**Market value in existing state as at the valuation date** *RMB*
Residential	1,017.26		9,900,000
Retail	9,250.03		171,700,000
Mechanical car parking space		114	15,300,000
Flat car parking space		342	80,000,000
Total:	**10,267.29**	**456**	**276,900,000**

10. Our valuation has been made on the following basis and analysis:

    a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparables ranges from RMB8,500 to RMB12,000 per sq.m. for residential units, RMB25,000 to RMB30,000 per sq.m. for retail units on the ground floor, RMB180,000 to RMB250,000 per space for flat car parking spaces, and RMB90,000 to RMB150,000 per space for mechanical car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at an assumed unit rate for the property.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

    a. DTXS Enterprise has paid the land premium in respect of the property in full and obtained the State-owned Land Use Rights Certificate;

    b. DTXS Enterprise has obtained the requisite approvals in respect of the development, construction and sale of residential and retail units of the property from local authorities and the approvals are legal and valid;

    c. DTXS Enterprise has the rights to use the apportioned land use rights of mechanical and flat car parking spaces of project West Market Jiajun (including the property), and has the rights to use and transfer the rights of mechanical and flat car parking spaces; and

    d. There is no material legal impediment for DTXS Enterprise in obtaining Building Ownership Certificate after completing the procedure of planning acceptance and construction work completion and inspection acceptance.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit (Exclusive of 114 mechanical car parking spaces and 342 flat car parking spaces)	Yes
f.	Construction Work Completion and Inspection Certificate/Table	No
g.	Building Ownership Certificate	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	The remaining unsold units of Building No. 7 of West Market Tao Yuan (西市桃園) located at Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	West Market Tao Yuan is located at Tao Yuan South Road, Lianhu District. It is well-served by public transportation. The vicinity of West Market Tao Yuan comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. The Northwestern Polytechnical University is located at the east of it. Completed in 2012, West Market Tao Yuan is a residential and commercial development with a total gross floor area of approximately 213,490 sq.m. and is erected on a parcel of land with a site area of approximately 26,196.29 sq.m. The property comprises the units on the 23rd to 28th floors of Building No. 7 of West Market Tao Yuan with a total gross floor area of approximately of 6,579.84 sq.m. The land use rights of West Market Tao Yuan have been allocated to DTXS Enterprise for residential use (including the land use rights of the property, which is the hotel facilities (categorized as commercial service uses units as per a house property survey and mapping report) of West Market Tao Yuan).	As at the valuation date, the property was vacant for sale.	No commercial value

Notes:

1. Pursuant to a State-owned Construction Land Allocation Decision Agreement — No. Cheng Gai 038 dated 7 June 2011, the land use rights of 8 parcels of land with a total site area of approximately 79,568.22 sq.m. (including the land use rights of the property) were contracted to be allocated to DTXS Enterprise for residential and commercial use.

2. Pursuant to a State-owned Land Use Rights Certificate — Xi Lian Guo Yong (2014) Di No. 140, the land use rights of a parcel of land with a site area of approximately 26,196.29 sq.m. have been allocated to DTXS Enterprise for residential use (including the land use rights of the property, which is the hotel facilities of West Market Tao Yuan).

3. Pursuant to a Construction Work Planning Permit — Xi Cheng Peng Jian Zi Di (2011) No. 004 in favour of DTXS Enterprise, Phase I of Residential Community of Urban Renewal Project of Dong Tao Yuan Village in Lianhu area (蓮湖區東桃園村城中村改造一期住宅社區) with a total gross floor area of approximately 290,719 sq.m. (including the property) have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Cheng Gai Nos. 025 and 026 (Bu) in favour of DTXS Enterprise, permissions by the relevant local authority were given to commence the construction of Section I and II of Tang West Market Relocated Area (大唐西市回遷區一標段及二標段) with a total gross floor area of approximately 213,490 sq.m. (including the property).

5. According to the legal opinion issued by the Company's PRC legal adviser, DTXS Enterprise has obtained the aforesaid State-owned Land Use Rights Certificate by way of land allocation (土地劃撥), The transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities, therefore, we have attributed no commercial value to the property with a total gross floor area of approximately 6,579.84 sq.m. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB98,700,000 assuming the property could be freely transferred without payment of any further land premium, penalty or transfer fees.

6. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparables range from RMB14,000 to RMB16,000 per sq.m. for commercial office usage units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at an assumed unit rate for the property.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. DTXS Enterprise has obtained the aforesaid State-owned Land Use Rights Certificate by way of land allocation, the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities. The Land Use Rights Grant Contract should be signed and the land premium should be paid to local government or the land premium should be offset by gains from the transfer, lease and mortgage of the land;

   b. DTXS Enterprise has obtained the requisite approvals in respect of the development and construction of the property from local authorities and the approvals are legal and valid; and

   c. There is no material legal impediment for DTXS Enterprise in completing construction work completion and inspection acceptance after completing fire protection rectification.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	N/A*
f.	Construction Work Completion and Inspection Certificate/Table	No
g.	Building Ownership Certificate	No

* *The land use rights of the property has obtained by way of land allocation, the property is subject to obtain the pre-sale permit.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
4.	13 retail units of Building No. 3 and No. 4 of West Market Tao Yuan (西市桃園) located at Tao Yuan South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	West Market Tao Yuan is located at Tao Yuan South Road, Lianhu District. It is well-served by public transportation. The vicinity of West Market Tao Yuan comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. The Northwestern Polytechnical University is located at the east of it. Completed in 2012, West Market Tao Yuan is a residential and commercial development with a total gross floor area of approximately 213,490 sq.m. and is erected on a parcel of land with a site area of approximately 26,196.29 sq.m. The property comprises 13 retail units of Building No. 3 and No. 4 of the West Market Tao Yuan with a total gross floor area of approximately of 3,825.78 sq.m. The land use rights of West Market Tao Yuan have been allocated to DTXS Enterprise for residential use (including the land use rights of the property, which is the commercial facilities of West Market Tao Yuan).	As at the valuation date, portions of the property were jointly operated with various third parties for commercial purpose, and the remaining portions of the property was vacant.	No commercial value

Notes:

1. Pursuant to a State-owned Construction Land Allocation Decision Agreement — No. Cheng Gai 038 dated 7 June 2011, the land use rights of 8 parcels of land with a total site area of approximately 79,568.22 sq.m. (including the land use rights of the property) were contracted to be allocated to DTXS Enterprise for residential and commercial use.

2. Pursuant to a State-owned Land Use Rights Certificate — Xi Lian Guo Yong (2014) Di No. 140, the land use rights of a parcel of land with a site area of approximately 26,196.29 sq.m. have been allocated to DTXS Enterprise for residential use (including the land use rights of the property, which is the commercial facilities of West Market Tao Yuan).

3. Pursuant to a Construction Work Planning Permit — Xi Cheng Peng Jian Zi Di (2011) No. 004 in favour of DTXS Enterprise, Phase I of Residential Community of Urban Renewal Project of Dong Tao Yuan Village in Lianhu area (蓮湖區東桃園村城中村改造一期住宅社區) with a total gross floor area of approximately 290,719 sq.m. (including the property) have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Cheng Gai Nos. 025 and 026 (Bu) in favour of DTXS Enterprise, permissions by the relevant local authority were given to commence the construction of Section I and II of project Tang West Market Relocated Area (大唐西市回遷區一標段及二標段) with a total gross floor area of approximately 213,490 sq.m. (including the property).

5. As at 30 November 2019, pursuant to 13 Joint Operation Agreements entered into between DTXS Enterprise and various independent third parties, portions of the property with a total gross floor area of approximately 3,550.03 sq.m. are agreed to be jointly operated with various third parties for commercial purpose with the expiry dates between 25 December 2023 and 31 May 2027. DTXS Enterprise take out 10% of monthly sales (after tax) of these units as annual income.

6. According to the legal opinion issued by the Company's PRC legal adviser, DTXS Enterprise has obtained the aforesaid State-owned Land Use Rights Certificate by way of land allocation (土地劃撥), the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities, therefore, we have attributed no commercial value to the property with a total gross floor area of approximately 3,825.78 sq.m. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB65,600,000 assuming the property could be freely transferred without payment of any further land premium, penalty or transfer fees.

7. Our valuation has been made on the following basis and analysis:

   We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparables range from RMB26,000 to RMB28,000 per sq.m. for retail units on the ground floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at an assumed unit rate for the property.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. DTXS Enterprise has obtained the aforesaid State-owned Land Use Rights Certificate by way of land allocation, the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities. The Land Use Rights Grant Contract should be signed and the land premium should be paid to local government or the land premium should be offset by gains from the transfer, lease and mortgage of the land;

   b. DTXS Enterprise has obtained the requisite approvals in respect of the development and construction of the property from local authorities and the approvals are legal and valid;

c. There is no material legal impediment for DTXS Enterprise in completing construction work completion and inspection acceptance after completing fire protection rectification;

d. The land use rights of the property have been allocated to DTXS Enterprise, pursuant to the nature of the land use rights, in arriving at our value for reference as stated in note 6, we assume that the land use rights of the property will be granted for a term of 40 years for commercial use from 7 June 2011; and

e. The Joint Operation Agreements mentioned in note 5 are legally binding, valid and enforceable.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	N/A*
f.	Construction Work Completion and Inspection Certificate/Table	No
g.	Building Ownership Certificate	No

* *The land use rights of the property has obtained by way of land allocation, the property is subject to obtain the pre-sale permit.*

VALUATION CERTIFICATE

Group II — Property held under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
5.	The land and buildings under development located at No. 118 Laodong South Road, Lianhu District, Xi'an City, Shaanxi Province, the PRC	The land and buildings under development are located at No. 118 Laodong South Road. It is well-served by public transportation. The vicinity of this property comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. The property occupies portions of 3 parcels of land with a total site area of approximately 18,385.18 sq.m. which is being developed into a commercial and office complex. As at the valuation date, the property was under construction and is scheduled to be completed in May 2020. As advised by the Company, upon completion, the property will have a planned gross floor area of approximately 133,845.29 sq.m. The usage and planned gross floor area details are set out in note 7. As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB736,600,000, of which approximately RMB420,800,000 had been paid as at the valuation date. The land use rights of the property have been granted for terms of 40 years expiring on 29 December 2052, 17 February 2053 and 11 April 2057 for commercial and financial uses respectively.	As at the valuation date, the property was under construction.	826,100,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 13 December 2012 and 12 April 2017, the land use rights of 2 parcels of land with a total site area of approximately 37,792.26 sq.m. (including the land use rights of the property) were contracted to be granted to DTXS Enterprise for residential and commercial uses. The total land premium was RMB99,140,000. As advised by DTXS Enterprise, the land premium had been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Xi Lian Guo Yong (2014 Chu) No. 93, the land use rights of a parcel of land with a site area of approximately 3,186.72 sq.m. (including the land use rights of portion of the property with a site area of approximately 444.01 sq.m.) have been granted to DTXS Enterprise for a term of 40 years expiring on 29 December 2052 for commercial and financial uses.

3. Pursuant to 2 Real Estate Title Certificates — Shan (2017) Xi'an Shi Bu Dong Chan Quan Di Nos. 0000125 and 0000378, the land use rights of 2 parcels of land with a total site area of approximately 24,342.87 sq.m. (including the land use rights of the property with a site area of approximately 17,941.17 sq.m.) have been granted to DTXS Enterprise for terms of 40 years expiring on 17 February 2053 and 11 April 2057 for commercial and financial uses.

4. Pursuant to 2 Construction Work Planning Permits — Xi Cheng Peng Jian Zi Di (2013) Nos. 006–2 and 006–3 in favour of DTXS Enterprise, Urban Renewal Project of Dong Tao Yuan Village in Lianhu area DK-6 (A2) (蓮湖區東桃園村城中村綜合改造項目DK-6(A2)) with a total gross floor area of approximately 133,845.29 sq.m. have been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits — 510104201711060301 Shi Cheng Gai Fa (2017) No. 278 and 510104201711060401 Shi Cheng Gai Fa (2017) No. 279 in favour of DTXS Enterprise, permissions by the relevant local authority were given to commence the construction of this property with a total gross floor area of approximately 133,845.29 sq.m.

6. Pursuant to a mortgage contract and relevant agreements, the land use rights of portions of 3 parcels of land of the property with a total site area of approximately 18,385.18 sq.m and the construction work erected thereon are subject to a mortgage in favour of a third party (Bank of Xi'an Co., Ltd. Yanta Branch, 西安銀行股份有限公司雁塔支行).

7. According to the information provided by DTXS Enterprise, the usage and planned gross floor area the property upon completion is set out as below:

Property	**Usage**	**Gross Floor Area** *(sq.m.)*	**No. of Car parking space**
The land and buildings under development	Shopping mall	47,831.31	
	Retail units in office building	1,970.93	
	Office	46,070.37	
	Car parking space	37,972.68	730
	Grand-total:	**133,845.29**	**730**

8. The market value of the property as if completed as at the valuation date is estimated to be RMB1,368,400,000 (as advised by the Group, the ownership rights of car parking spaces are restricted from sale, therefore the market value of the property as if completed excludes the value of car parking spaces).

9. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparables range from RMB13,000 to RMB16,000 per sq.m. for office units, RMB25,000 to RMB30,000 per sq.m. for retail units on the ground floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at an assumed unit rate for the property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

    a. DTXS Enterprise has paid the land premium in respect of the property in full and obtained the State-owned Land Use Rights Certificate;

    b. DTXS Enterprise has obtained the requisite approvals in respect of the development and construction of the property from local authorities and the approvals are legal and valid; and

    c. The transfer of the land use rights of the property with a total site area of approximately 18,385.18 sq.m. and the property under construction should obtain the consent of the mortgagee and therefore the rights of DTXS Enterprise are subject to certain restriction.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	N/A*
f.	Construction Work Completion and Inspection Certificate/Table	N/A*
g.	Building Ownership Certificate	N/A*

* *The property was under development as at the valuation date, the "N/A" mentioned in e to g in note 11 stands for not available in current development stage of the property.*

VALUATION CERTIFICATE

Group III — Property held for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
6.	Portions of 5 parcels of land located at the north of South 2nd Ring and the east of Tao Yuan South Road, and Dong Tao Yuan Village, Lianhu District, Xi'an City, Shaanxi Province, the PRC	The property is located at the north of South 2nd Ring and the east of Tao Yuan South Road, and Dong Tao Yuan Village. It is well-served by public transportation. The vicinity of the property comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. The property comprises portions of 5 parcels of land with a total site area of approximately 12,688.74 sq.m. which will be developed into a commercial, office and hotel complex. The construction work of property has not been commenced as at the valuation date. As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB1,354,000,000, of which approximately RMB60,800,000 had been paid as at the valuation date. The land use rights of 4 parcels of land of (including the property) have been granted for terms expiring on 29 December 2052, 17 February 2053, and 11 April 2057 for commercial and financial uses, and 29 December 2082 for residential use. The remaining parcel of land (including the property) has been allocated to DTXS Enterprise for residential use.	As at the valuation date, the property was vacant for future development.	228,400,000 (refer to note 4)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates — Xi Lian Guo Yong (2014 Chu) Nos. 091 and 093, the land use rights of 2 parcels of land with a total site area of approximately 3,583.47 sq.m. (including portions of the land use rights of the property with a total site area of 3,139.46 sq.m.) have been granted to DTXS Enterprise for terms expiring on 29 December 2052 for commercial and financial uses and 29 December 2082 for residential use.

2. Pursuant to 2 Real Estate Title Certificates — Shan (2017) Xi'an Shi Bu Dong Chan Quan Di Nos. 0000125 and 0000378, the land use rights of 2 parcels of land with a total site area of approximately 24,342.87 sq.m. (including portions of the land use rights of the property with a total site area of 6,401.70 sq.m.) have been granted to DTXS Enterprise for terms expiring on 17 February 2053 and 11 April 2057 for commercial and financial uses.

3. Pursuant to a State-owned Land Use Rights Certificate — Xi Lian Guo Yong (2014) Di No. 043, the land use rights of a parcel of land with a site area of approximately 3,147.58 sq.m. (including the land use rights of the property) have been allocated to DTXS Enterprise for residential use.

4. According to the legal opinion issued by the Company's PRC legal adviser, for the land stipulated in note 3, DTXS Enterprise has obtained the State-owned Land Use Rights Certificate by way of land allocation (土地劃撥). The transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities, therefore, we have attributed no commercial value to the parcel of allocated land with a site area of 3,147.58 sq.m. of the property. However, for reference purpose, we are of the opinion that the market value of this land as at the valuation date would be RMB51,800,000 assuming the land could be freely transferred without payment of any further land premium, penalty or transfer fees.

5. Our valuation has been made on the following basis and analysis:

   a. We have made reference to sales prices of land within the locality which have the similar characteristics as the property. The accommodation value of these comparables range from about RMB3,200 to RMB3,700 per sq.m. for residential use and RMB2,300 to RMB2,900 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at our assumed unit rate for the property.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. DTXS Enterprise has paid the land premium in respect of 3 parcels of granted lands (including the property) in full and obtained the State-owned Land Use Rights Certificates. DTXS Enterprise is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the land use rights of the property; and

   b. For the land stipulated in note 3, DTXS Enterprise has obtained the State-owned Land Use Rights Certificate by way of land allocation, the transfer, lease and mortgage of the allocated land use rights are subject to the approval of local authorities. The Land Use Rights Grant Contract should be signed and the land premium should be paid to local government or the land premium should be offset by gains from the transfer, lease and mortgage of the land.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Work Planning Permit	N/A*
d.	Construction Work Commencement Permit	N/A*
e.	Pre-sale Permit	N/A*
f.	Construction Work Completion and Inspection Certificate/Table	N/A*
g.	Building Ownership Certificate	N/A*

* *The property was bare land as at the valuation date, the "N/A" mentioned in c to g in note 7 stands for not available in current development stage of the property.*

VALUATION CERTIFICATE

Group IV — Property contracted to be acquired in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
7.	Portions of 3 parcels of land located at the north of South 2nd Ring and the east of Tao Yuan South Road, and Dong Tao Yuan Village, Lianhu District, Xi'an City, Shaanxi Province, the PRC	The property is located at the north of South 2nd Ring and the east of Tao Yuan South Road. It is well-served by public transportation. The vicinity of the property comprises residential developments, retail units, hotels, Tang West Market and Fengqing Park. As advised by the Group, the land use rights of 3 parcels of land with a total site area of approximately 7,586.7 sq.m. were in the final stage of liaising with the land users for relocation arrangement as at the valuation date.	As at the valuation date, there were some buildings erected on the site. As advised by the Group, they are to be demolished.	No commercial value

Notes:

1. Pursuant to an Official Reply of the Xi'an City Urban Renewal Office concerning the Transfer of Urban Renewal Project of Dong Tao Yuan Village in Lianhu Area (西安市城中村改造辦公室關於蓮湖區東桃園村城中村改造方案結轉的批覆) dated 24 April 2011 and 21 September 2012 — Shi Cheng Gai Fa (2011) No. 99 and Shi Cheng Gai Fa (2012) No. 211, DTXS Enterprise has been appointed as the main reconstruction developer. The Urban Renewal Project involves 8 parcels of land (Nos. DK1 to DK8, and DK-6 are sub-divided into DK-6–1, DK-6–2, DK-6–3) and will be developed into a residential and commercial development in three phases. Phase III is located at the intersection of Tao Yuan South Road and South 2nd Ring Road, and it includes 3 parcels of land (Nos. DK-3, DK4 and DK-6–1) with a total site area of approximately 7,586.7 sq.m. (the property). The reconstruction of Phase III will commence after completing the demolition and renovation.

2. As at the valuation date, the property does not has title certificate and the property has not been assigned to the Group and thus the title of the property has not been vested in the Group, therefore we have attributed no commercial value to the property due to the lack of title certificate. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB145,900,000, assuming the property is on clear and vacant site state, the relevant title certificates have been obtained by DTXS Enterprise and DTXS Enterprise is entitled to freely transfer, lease, mortgage or otherwise dispose of the property, and the property will be granted for terms of 70 years for residential use and 40 years for commercial use.

3. Our valuation has been made on the following basis and analysis:

   a. We have made reference to sales prices of land within the locality which have the similar characteristics as the property. The accommodation value of these comparables range from about RMB3,200 to RMB3,700 per sq.m. for residential use and RMB2,300 to RMB2,900 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at our assumed unit rate for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   a. The aforesaid property with a total site area of approximately 7,586.7 sq.m. has not obtained the State-owned Land Use Rights Certificates due to the uncompleted housing demolition;

   b. Pursuant to Administrative Measures of Xi'an City's Renovation of Shanty Area (including the property), the land use of renovation shanty area has the first priority to be included in the annual land use plan; and

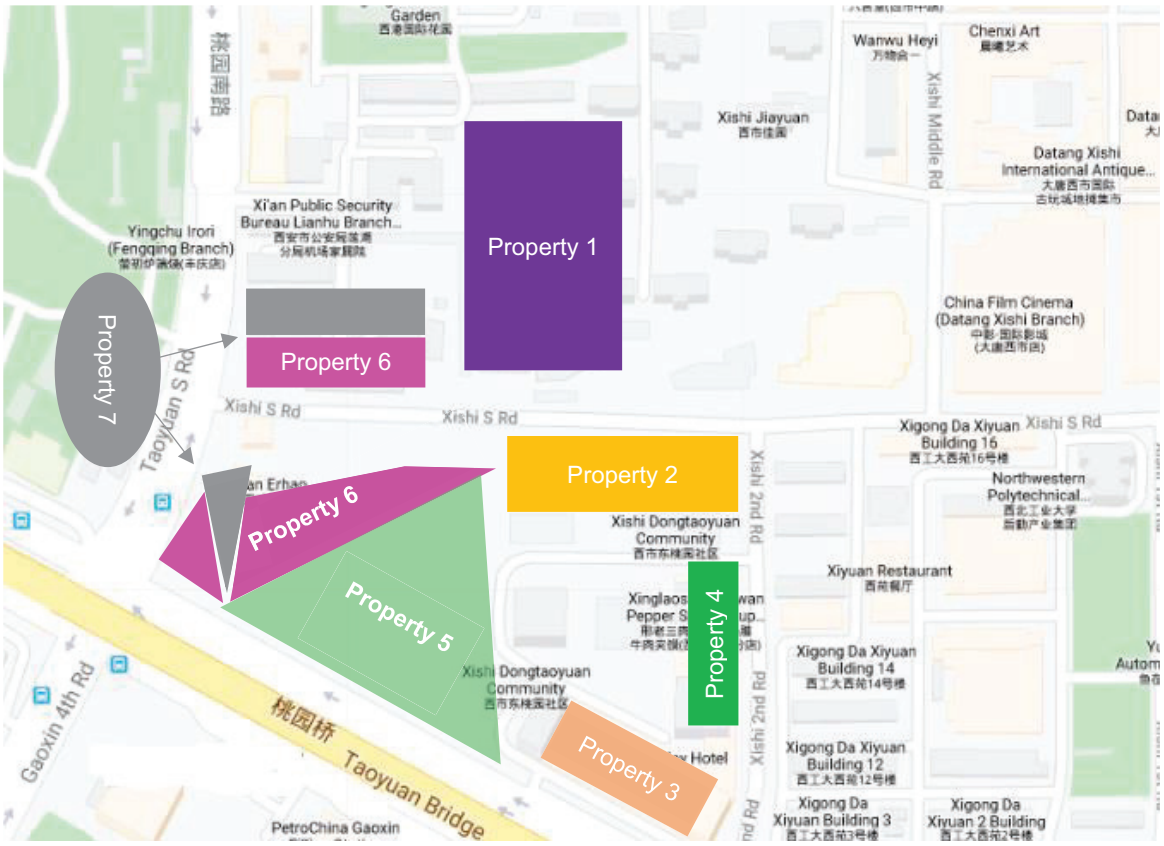
   c. DTXS Enterprise will participate in the land acquisition procedures through bidding, auction or listing to acquire the land use rights of the property after completing the demolition of existing buildings.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	No
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	N/A*
c.	Construction Work Planning Permit	N/A*
d.	Construction Work Commencement Permit	N/A*
e.	Pre-sale Permit	N/A*
f.	Construction Work Completion and Inspection Certificate/Table	N/A*
g.	Building Ownership Certificate	N/A*

* *The property was contracted to be acquired as at the valuation date, the "N/A" mentioned in b to g in note 5 stands for not available in current development stage of the property.*

Appendix A: Location map of the properties



Source: Google maps and Jones Lang LaSalle

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

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 and debentures of the Company and its associated corporation (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 recorded 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	Total	Approximate percentage of the total number of issued Shares *(Note 4)*
	Personal interests	Corporate interests		Personal interests		
Mr. Lu	4,996,000	373,446,736 *(Notes 1&2)*	111,187,538 *(Note 3)*	3,500,000	493,130,274	73.88%
Mr. Yang	—	—		2,500,000	2,500,000	0.37%
Mr. Lai Kim Fung	—	—		3,000,000	3,000,000	0.45%
Mr. Wong Kwok Tung Gordon Allan	—	—		2,500,000	2,500,000	0.37%
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%
Mr. Wang Shi	—	—		250,000	250,000	0.04%

Notes:

1. 373,446,736 Shares were held by DTXS International Holdings. DTXS International Holdings was wholly-owned by the Vendor, which was wholly-owned by DTXS Investment. Mr. Lu, being the controlling shareholder of DTXS Investment, was interested in approximately 50.60% of the issued registered capital of DTXS Investment. As such, Mr. Lu was deemed to be interested in 373,446,736 Shares.

2. 20,000,000 Shares held by DTXS International Holdings were pledged in favour of the third party lenders as security.

3. 111,187,538 underlying Shares represent the number of option shares that may be sold by Ion Tech Limited ("Ion Tech") as grantee to DTXS International Holdings as 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 dated 16 July 2019 (the "Put Option Deed"), details of which are set out in the circular of the Company dated 7 August 2019.

4. The total number of issued Shares was 667,459,230 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 executives of the Company, the following persons or corporations (other than a Director or chief executive of the Company) had or were deemed or taken interests or short positions in the Shares and 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 issued voting shares of any other member of the Group:

Name of Shareholder	**Nature of interests/ capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of the total number of issued Shares** *(Note 14)*
DTXS International Holdings *(Note 2)*	Beneficial owner	484,634,274 (L) *(Notes 12&13)*	72.61%
Vendor *(Note 2)*	Interests in controlled corporation	484,634,274 (L) *(Notes 12&13)*	72.61%
DTXS Investment *(Note 2)*	Interests in controlled corporation	484,634,274 (L) *(Notes 12&13)*	72.61%
Ms. Zhu Ronghua *(Note 3)*	Interests of spouse	493,130,274 (L)	73.88%
Ion Tech	Beneficial owner	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
Citiplus Investment Limited *(Note 4)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
New World Development Company Limited *(Note 5)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
Chow Tai Fook Enterprises Limited *(Note 6)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
Chow Tai Fook (Holding) Limited *(Note 7)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
Chow Tai Fook Capital Limited *(Note 8)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
Cheng Yu Tung Family (Holdings II) Limited *(Note 9)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%
Cheng Yu Tung Family (Holdings) Limited *(Note 10)*	Interests in controlled corporation	111,187,538 (L) 111,187,538 (S) *(Note 11)*	16.66%

Notes:

1. The letters "L" and "S" denote a long position and a short position in the Shares respectively.

2. DTXS International Holdings was wholly-owned by the Vendor, 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 493,130,274 Shares through the interests held by her spouse, Mr. Lu.

4. Citiplus Investment Limited ("Citiplus") held 100% direct interest in Ion Tech and was accordingly deemed to have an interest in the Shares held by Ion Tech.

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 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 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. Ion Tech entered into the subscription agreement dated 16 July 2019 to conditionally subscribe for 111,187,538 Shares, and in connection therewith, DTXS International Holdings conditionally granted a put option to Ion Tech to require DTXS International Holdings to purchase all or part of the option shares pursuant to the Put Option Deed.

12. Comprises 373,446,736 Shares held by DTXS International Holdings and 111,187,538 underlying Shares representing the number of option shares that may be sold by Ion Tech to DTXS International Holdings 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. 20,000,000 Shares held by DTXS International Holdings were pledged in favour of the third party lenders as security.

14. The total number of issued Shares was 667,459,230 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 Enlarged Group which is not determinable by the Enlarged 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 or 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. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as disclosed in this circular, 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 Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As (i) Mr. Lu, being the chairman, an executive Director and the ultimate controlling shareholder of the Company, is also a director of DTXS Investment, the Vendor and DTXS International Holdings and the shareholder of DTXS Investment; (ii) Mr. Yang, being an executive Director, is also the shareholder of DTXS Investment; and (iii) Mr. Wong Kwok Tung Gordon Allan, being an executive Director and deputy chief executive officer of the Company, is also the director of the Vendor, DTXS International Holdings, each of the member of the Target Group and the Purchaser, all of the abovementioned Directors are deemed to be materially interested in (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.

Save as disclosed, there was no contract or arrangement subsisting at the date of this circular in which any of the Directors was materially interested in and which was significant in relation to the business of the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group were engaged in any material litigation or claims of material importance and, in so far as the Directors were aware, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The qualification of the experts who have 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 (i) the Share Purchase Agreement and the transactions contemplated thereunder; together with (ii) the Guarantee Arrangements.
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	an independent property valuer

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the incorporation herein of their letters, reports, advice and/or references to its name, in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of the experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

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

(a) 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;

(b) 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;

(c) 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;

(d) the subscription agreement dated 16 July 2019 entered into between the Company and Ion Tech (an independent third party of the Company), pursuant to which the Company conditionally agreed to allot and issue and the Ion Tech conditionally agreed to subscribe for 111,187,538 new Shares at the subscription price of HK$5.3873 per subscription share;

(e) the Share Purchase Agreement;

(f) the Loan Agreement;

(g) the Guarantee Agreement;

(h) the Counter Guarantee Agreement; and

(i) the sale and purchase agreement dated 30 December 2019 entered into between Harbour Front Limited (an independent third party of the Company) and the Company in relation to the disposal of the entire issued share capital of UDL Ventures Limited and the assignment of the shareholder loan (which is the net amount of loans and indebtedness (if any) owing from UDL Ventures Limited and

its subsidiaries to the Company as at the completion date pursuant to the terms and conditions of the sale and purchase agreement), at a total cash consideration of HK$16,756,000.

10. GENERAL

(a) The company secretary of the Company is Mr. Tang Man Joe ("Mr. Tang"). Mr. Tang graduated from University of Wisconsin-Madison with a bachelor's degree in business administration. He is a member of the American Institute of Certified Public Accountants and also a member of Hong Kong Institute of Certified Public Accountants;

(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.

11. 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 material contracts referred to in the section headed "Material Contracts" in this appendix;

(c) the letter from the Board, the text of which is set out on pages 7 to 33 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 34 to 35 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 36 to 66 of this circular;

(f) the annual reports of the Company for the three financial years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;

(g) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(h) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(i) the valuation report of the Properties, the text of which is set out in Appendix V to this circular;

(j) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(k) the circular of the Company dated 7 August 2019; and

(l) this circular.

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)

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 DTXS Hong Kong Art Central Business District, G/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 11 March 2020 for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 21 February 2020 (the "Circular"):

ORDINARY RESOLUTION

"**THAT**:

(a) the Share Purchase Agreement, a copy of which is marked "A" and initialed by the chairman of the SGM for identification purpose and tabled at the SGM, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) subject to and in view of the completion of the Share Purchase Agreement and the transactions contemplated thereunder, (1) the Guarantee Agreement, a copy of which is marked "B" and initialed by the chairman of the SGM for identification purpose and tabled at the SGM, (2) the Counter Guarantee Agreement, a copy of which is marked "C" and initialed by the chairman of the SGM for identification purpose and tabled at the SGM, and (3) the Guarantee Arrangements and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(c) any one Director be and is hereby authorized to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivering all agreements, documents and instruments) which are in his opinion, necessary, appropriate, desirable or expedient to implement or give effect to the terms of the Share Purchase Agreement, the Guarantee Agreement, the Counter Guarantee Agreement, the Guarantee Arrangements and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendments or waiver of matters relating thereto or in connection therewith."

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

Hong Kong, 21 February 2020

Notes:

1. For determining the entitlement to attend and vote at the meeting, the register of members will be closed from Friday, 6 March 2020 to Wednesday, 11 March 2020 (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 Wednesday, 11 March 2020, 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 4:30 p.m. on Thursday, 5 March 2020.

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/her 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.

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 this 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. Jean-Guy Carrier and Dr. Cheng Kar-Shun, Henry; and four Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Tsui Yiu Wa, Alec, Mr. Tse Yung Hoi and Mr. Wang Shi.