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DTXS Silk Road Investment Holdings Company Limited

大唐西市絲路投資控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

ANNOUNCEMENT ON PROFIT GUARANTEE

References are made to the announcements of DTXS Silk Road Investment Holdings Company Limited (the “**Company**”) dated 20 June 2016 and 26 June 2019 (the “**Announcements**”), in relation to, among other things, to the SP Agreement (as amended on 26 June 2019) entered into between the Purchaser and the Vendors in respect of the Acquisition of the Sale Shares which represents the entire issued share capital of the Target Company. Unless otherwise defined or the context otherwise requires, terms used herein shall have the same meanings as defined in the Announcements.

PROFIT GUARANTEE

As disclosed in the Announcements, the Vendors have guaranteed that the average of the Net Profit arising from the operating business of the Target Group for the three financial years ended 31 December 2019 shall not be less than the Average Profit Guarantee of RMB35 million.

In the event that the Vendors fail to meet the Average Profit Guarantee, they should compensate the Purchaser on the basis of the mechanism set out below as adjustment to the Consideration:

1. Should the deficit (if any) between the Average Net Profit for the three financial years ended 31 December 2019 and the Average Profit Guarantee for the three financial years ended 31 December 2019, being RMB35 million, be less than or equal to 10% of the Average Profit Guarantee, the compensation will be on a dollar to dollar basis.

Should the deficit (if any) between the Average Net Profit and the Average Profit Guarantee be more than 10% of the Average Profit Guarantee, the compensation will be calculated based on certain formula.

2. According to the SP Agreement, the Company has no option to sell back any Sale Shares even if the Average Net Profit for the three financial years ended 31 December 2019 falls short of the Average Profit Guarantee.

COMPENSATION

Determination of Shortfall

On 28 September 2020, the Company received the audited accounts of the Target Group for the three financial years ended 31 December 2019 for determining the Net Profit for each of the three financial years ended 31 December 2019.

The Net Profit of the Target Group extracted from the audited accounts for each of the three financial years ended 31 December 2019 are as follows:

Financial year ended	Net Profit <i>(RMB)</i>
31 December 2017	43.0 million
31 December 2018	19.5 million
31 December 2019	34.9 million
Average	32.5 million

Comparing the Average Profit Guarantee and the Average Net Profit, there is a shortfall of approximately RMB2.5 million.

Compensation Amount

The average Net Profit realised by the Target Group for the three financial years ended 31 December 2019 was approximately RMB32.5 million and is approximately 7.2% lower than the Average Profit Guarantee of RMB35.0 million. Accordingly, compensation in the amount of approximately RMB2.5 million in cash would be payable by the Vendors to the Company on a dollar to dollar basis.

On 30 September 2020, the Company received from the Vendors the compensation in the amount of approximately RMB2.5 million. As at the date of this announcement, the Vendors have fully settled their commitment regarding the compensation for the Profit Guarantee.

OPINION OF THE BOARD

The board of Directors, including the independent non-executive Directors, are of the view that the Vendors have fully performed their guarantee obligations under the Profit Guarantee.

By order of the Board
DTXS Silk Road Investment Holdings Company Limited
Xu Lin
Executive Director and Executive Vice-chairman

Hong Kong, 30 September 2020

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lu Jianzhong (Chairman), Mr. Xu Lin (Executive Vice-chairman), Mr. Yang Xingwen, Mr. Xu Zhihong (Chief Executive Officer) and Mr. Wong Kwok Tung Gordon Allan (Deputy Chief Executive Officer); one Non-executive Director, namely, Dr. Cheng Kar-Shun, Henry; and three Independent Non-executive Directors, namely, Mr. Tsang Yok Sing, Jasper, Mr. Tse Yung Hoi and Mr. Kwok Chi Shing.