

25 October 2023

To the Shareholders

Dear Sir/Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF REMAINING EQUITY INTEREST
IN DL FAMILY OFFICE (HK) LIMITED
INVOLVING THE ISSUE OF PROMISSORY NOTE
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the Company's announcements dated 14 September 2023, 20 September 2023, 6 October 2023 and 18 October 2023 in relation to, amongst other things, the proposed Acquisition.

The purposes of this circular are to provide you with, among other things, (i) further details of the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) notice of the EGM; and (v) other information as required under the Listing Rules. At the EGM, such necessary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder.

BACKGROUND – THE PRIOR ACQUISITION

References are made to the Prior Announcements dated 23 May 2022, 26 May 2022 and 17 January 2023. As disclosed, the Purchaser and the Vendor entered into the Prior SPA, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell 8,195,441 shares of the Target Company, at the Prior Consideration of HK\$63,000,000.00. Upon completion of the Prior Acquisition, which took place on 17 January 2023, and as at the Latest Practicable Date, the Purchaser legally and beneficially owns 8,195,441 shares of the Target Company, representing approximately 45.00% of the entire issued share capital of the Target Company, and the Vendor legally and beneficially owns the Sale Shares (i.e. 10,016,651 shares of the Target Company, representing approximately 55.00% of the entire issued share capital of the Target Company).

THE ACQUISITION

On 14 September 2023 (after trading hours of the Stock Exchange), the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, which represent approximately 55.00% of the entire equity interest of the Target Company at the Consideration of HK\$220,000,000.00, which will be satisfied by cash and the issue of the Promissory Note.

THE SALE AND PURCHASE AGREEMENT

Principal terms of the Sale and Purchase Agreement are set out as follows:

Date

14 September 2023 (after trading hours of the Stock Exchange)

Parties to the Sale and Purchase Agreement

- (i) DL Asset Management Limited, as the Purchaser; and
- (ii) DL Global Holdings Limited, as the Vendor.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares (i.e. 10,016,651 shares of the Target Company), representing approximately 55.00% of the entire issued share capital of the Target Company.

Consideration

The Consideration for the Acquisition is HK\$220,000,000.00 in aggregate, which shall be payable by the Purchaser partially in cash to the Vendor's designated bank account by wire transfer and partially settled by the issue of Promissory Note by the Company and will be satisfied in the following manner:

- (a) an initial refundable deposit in the sum of HK\$22,000,000.00 shall be paid by the Purchaser in cash to the Vendor's designated bank account by wire transfer within five (5) Business Days from the date of the Sale and Purchase Agreement; and
- (b) the remaining total balance of the Consideration in the sum of HK\$198,000,000.00 shall be, upon Completion, paid and settled by having:
 - (1) part of the remaining total balance of the Consideration in the sum of HK\$48,000,000.00 paid by the Purchaser in cash to the Vendor's designated bank account by wire transfer; and
 - (2) the remainder, in the sum of HK\$150,000,000.00, settled by the Company's issue of Promissory Note to the Vendor.

As at the Latest Practicable Date, it is anticipated that the total consideration for the Acquisition will be satisfied by the internal resources of the Group.

The Consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to (i) the fair value of the Sale Shares in the amount of HK\$230,200,000.00 as at 30 June 2023 according to the valuation report prepared by the Independent Valuer, adopting the market approach; (ii) the audited net assets of the Target Company amounted to approximately HK\$41.99 million as at 31 December 2022; (iii) the unaudited net assets of the Target Company amounted to approximately HK\$54.07 million as at 30 June 2023; (iv) the financial position and track record as demonstrated from the key financial metrics of the Target Company; and (v) the existing synergies as a result of the Prior Acquisition and are anticipated to be enhanced between the Group and the Target Company as detailed in, and the factors further contemplated under the section headed "Reasons for and Benefits of the Acquisition" below.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged Independent Valuer for the valuation of the Sale Shares. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, it is not aware of any relationships or interests between the Valuer and any members of the Group (including the Purchaser), or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to the independence of the Independent Valuer. Apart from normal professional fees payable to the Independent Valuer in connection with the valuation of the Sale Shares, no arrangement exists whereby the Independent Valuer will receive any fees or benefits from any members of the Group (including the Purchaser), or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, and it is not aware of the existence of or change in any circumstances that would affect their independence. The Independent Valuer has confirmed to the Company of their independence. Accordingly, the Director considered that the Valuer are eligible to independently perform the valuation of the Sale Shares.

The Directors have assessed the qualification, experience and the track record of the Valuer and in view of both signors for the valuation report are directors of the Independent Valuer, and specialises in the provision of valuation and advisory services in relation to different types of assets, the Directors consider that the Valuer being qualified, experienced and competent in performing the valuation of the Sale Shares.

The independent valuation of the Sale Shares adopted the market approach. This approach was selected as the most appropriate for this transaction, as it accounts for the comparison with recent market transactions of selling similar assets by means of valuing a business entity by comparison of the prices at which other companies or interests of similar business nature changed its ownership under arm's length transactions, based on the theory of the approach that one would not pay more than one would have to pay for an equally desirable alternative. It was also considered appropriate given the availability of comparable companies in the market, and that the Target Company is expected to sustain its existing business operations. Under the market approach, the target under valuation was compared against public companies listed in Hong Kong or overseas operating in a comparable market and industry sector (namely, financial services sector providing services in relation to regulated activities) as well as comparable transactions, with this scope taking into account similar capital investment requirements, and overall industry fluctuations and market performance being universal factors impacting both the target and comparable companies. A price-to-earnings (or P/E) valuation multiple was used, considering the fact that the P/E multiple is commonly used for companies such as the Target Company with significant businesses operating in the financial services sector providing services in relation to regulated activities, with adjustments made for the target being a non-public company but with a control premium after the transaction. The valuation was based on certain principal factors, including, amongst others, the maturity of the target, the economic and industry conditions in which the target operates, and the business and other risks associated with this industry; and certain assumptions, including, amongst others, that there will be no material changes to the existing political, taxation, legal, technological, fiscal or economic conditions in relation to businesses licensed to conduct regulated activities, all licenses and permits that are essential for operation can be obtained and are renewable upon expiry, no material changes to the operating conditions material to revenue and costs for the businesses licensed to conduct regulated activities, and the retention of competent management and key personnel. Accordingly, the entire issued share capital of the Target Company was valued at approximately HK\$418.60 million and the Sale Shares was accordingly valued at approximately HK\$230.20 million, as at 30 June 2023. Further details of the valuation are set out in Appendix I of this circular.

Based on the above factors, the Board considered the independent valuation to be a fair and reasonable basis upon which to calculate the consideration amount.

Conditions precedent

The Acquisition are conditional upon fulfillment (or waiver, as the case may be) of all the following conditions precedent of the Sale and Purchase Agreement on or before the Long Stop Date:

- (i) the Directors passing the ordinary resolutions approving the Acquisition, the Sale and Purchase Agreement and the transactions contemplated hereunder (including but not limited to the issue of the Promissory Note) in accordance with the requirements of the Listing Rules, the Company's constitutional documents and all applicable laws and regulations in Hong Kong and the Cayman Islands;
- (ii) the passing of all resolution(s) by the Independent Shareholders at the EGM approving the entering into the Sale and Purchase Agreement by the Company and the performance of the transactions contemplated hereunder in accordance with the relevant provisions in the Listing Rules, the constitutional documents of the Company and all applicable laws and regulations in Hong Kong and the Cayman Islands;
- (iii) the Purchaser having completed the due diligence on the Target Company's assets, legal conditions and conditions regarding its businesses and operations and being and remaining satisfied with the same in all material respects;
- (iv) the DL Family Office License being valid, enforceable and operative as at the date of the Sale and Purchase Agreement, remains valid, enforceable and operative on Completion Date, and there being no statutes, statutory provisions, regulations, instruments, subordinate legislation, rules, orders, judgments, decisions, conditions and/or notices whatsoever proposed, granted or enforced by the SFC or any other applicable authority which prohibit, restrict, revoke or threaten to prohibit, restrict, revoke, the DL Family Office License entitlement by the Target Company on the Completion Date;
- (v) the representations, warranties and undertaking provided each of the parties under the Sale and Purchase Agreement being true, accurate, valid and not misleading on the execution of the Sale and Purchase Agreement in all material respects and remain true, accurate, valid and not misleading in all material respects as at the Completion Date;
- (vi) no material adverse change regarding the assets, financial position, business or prospects or results of operations of the Target Company up to the Completion Date; and
- (vii) all authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the Sale and Purchase Agreement and the transactions contemplated hereunder having been complied, granted, received or obtained by the Purchaser and the Vendor and remain in full force and effect and not revoked up to the Completion Date.

Save for the conditions precedent set out under sub-paragraphs (iii) and (v) above by written notice, none of the above conditions precedent can be waived. If any of the conditions is not fulfilled (or as the case may be, waived) on or before 31 December 2023 (i.e. the long stop date contemplated under the Sale and Purchase Agreement for the fulfillment of the above conditions for the Acquisition), or such later date as the parties to the Sale and Purchase Agreement may agree in writing, the Sale and Purchase Agreement shall be terminated, and all rights, obligations and liabilities of the parties thereto shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the Sale and Purchase Agreement.

As at the Latest Practicable Date, save and except for the condition precedent set out under sub-paragraph (ii) above, all other conditions precedent have been fulfilled. Despite the conditions precedent set out under sub-paragraphs (iii) and (v) being capable to be waived, it is, in any event, not the Purchaser's intention to serve any written notice to waive such conditions precedent.

Completion

Subject to all the conditions precedent under the Sale and Purchase Agreement being fulfilled (or waived, as the case may be), the Completion shall take place at or before 2:30 p.m. on the Business Day falling on the fifth Business Day upon the fulfillment (or, as the case may be, the waiver) of the conditions set out above (or such later date as may be agreed between the parties to the Sale and Purchase Agreement in writing), at the office of the Purchaser or such other place as may be agreed in writing by the parties to the Sale and Purchase Agreement.

Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated into the financial statements of the Company.

ISSUE OF THE PROMISSORY NOTE

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company shall issue the Promissory Note to the Vendor for settlement of part of the Consideration. The principal terms and conditions of the Promissory Note are as follows:

Parties to the Promissory Note

- (i) the Company, as the issuer of the Promissory Note; and
- (ii) the Vendor, as the noteholder of the Promissory Note.

Terms of the Promissory Note

- Principal Amount : HK\$150,000,000.00
- Interest : Nil
- Maturity Date : The Company shall repay the outstanding principal sum on the date falling two years from the date of issue of the Promissory Note (or if that is not a Business Day, the first Business Day thereafter).

- Security : The obligations of the Company under the Promissory Note are unsecured.
- Transferability : The Promissory Note may be transferred or assigned by the noteholder(s) to any persons (except for connected persons of the Company) provided that the noteholder(s) shall serve a prior written notice to the Company of not less than ten (10) Business Days.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the main board of the Stock Exchange (stock code: 1709).

The Group is principally engaged in (A) provision of financial services of licensed businesses including (i) financial advisory services; (ii) securities research services; (iii) securities trading and brokerage services; (iv) margin financing services; (v) referral services; (vi) asset management services; and (vii) investment management and advisory services to customers; (B) provision of money lending services; (C) sales of apparel products with the provision of supply chain management total solutions to customers; and (D) provision of enterprise solutions services.

As disclosed in the annual report of the Company for the year ended 31 March 2023, and with respect to the Group's business in relation to sales of apparel products as set out in item (C) of the foregoing paragraph, the COVID-19 pandemic, global economy uncertainty and international conflict had been imposing pressure to the general prospect of apparel industry and overall trading environment. In face of such pressure, while it is the Group's intention to maintain the apparel business as part of the Group's engaged businesses, the Group will continue to adopt its conservative strategy in connection with such business with the view to lower the risk exposure of the Group amid such turbulent market situation.

As it is the Group's primary goal to ensure the profitability of the Group's businesses and continuously maximise value for the Shareholders by making timely assessment of the Group's strategy in allocation of its resources among its business segments, the Group will carry on with exploring more business opportunities regarding this segment of business by means of e-commerce customers and utilising the direct-to-consumer business model.

Save as disclosed above, there is no other concrete business plan regarding the apparel business as at the Latest Practicable Date.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The Purchaser is principally engaged in the business of investment holding, and it is directly wholly-owned by the Company.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability. The Vendor is principally engaged in the business of investment holding. As at the Latest Practicable Date, one of the shareholders of the Vendor is Ms. Jiang Xinrong, a non-executive Director until her resignation on 28 April 2023 and the spouse of Mr. Chen Ningdi (an executive Director), and she owns approximately 36.60% of the issued share capital of the Vendor. Therefore, the Vendor is an associate of each of Mr. Chen Ningdi and Ms. Jiang Xinrong, and accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the remaining shareholders of the Vendor and their respective shareholding in the issued share capital of the Vendor are as follows:

Remaining shareholders of the Vendor	Approximate shareholding (%) in the Vendor
(1) Ms. He Zhiying, an executive Director	11.41%
(2) Mr. Lang Joseph Shie Jay, an executive Director	1.87%
(3) Mr. Ai Kuiyu, an executive Director and a director of the Purchaser	1.87%
(4) Ms. Xu Wen, a director of the Purchaser	1.87%
(5) Mr. Zhou Xuxiang, a director of a subsidiary of the Company	5.74%
(6) Mr. Kiow Wei Hao, a director of a subsidiary of the Company	1.87%
(7) Mr. Sun Yu, a director of a subsidiary of the Company	0.94%
(8) Ms. Wu Mengnan, a director of a subsidiary of the Company	0.63%
(9) Mr. Lam Siu Hong, a director of the Target Company	27.04%
(10) Mr. Huang Zhiying	5.76%
(11) Mr. Li Jialin	2.71%
(12) Mr. Cui Weixing	1.69%

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Mr. Li Jialin, Mr. Cui Weixing and Mr. Huang Zhiying are all Independent Third Parties as at the Latest Practicable Date.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in provision of financial services of licensed businesses including securities advisory services and asset management services. The Target Company is a licensed corporation under the SFO permitted to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities. As at the Latest Practicable Date and immediately prior to the Completion, the Purchaser legally and beneficially owns 8,195,441 shares of the Target Company, representing approximately 45.00% of the entire issued share capital of the Target Company, and the Vendor legally and beneficially owns the Sale Shares (i.e. 10,016,651 shares of the Target Company, representing approximately 55.00% of the entire issued share capital of the Target Company).

Financial information of the Target Company

Set out below is extract of the audited financial information of the Target Company for the two years ended 31 December 2021 and 31 December 2022 and the unaudited financial information for the six months ended 30 June 2023 respectively:

	For the year ended 31 December 2021 (audited) (HK\$)	For the year ended 31 December 2022 (audited) (HK\$)	For the six months ended 30 June 2023 (unaudited) (HK\$)
Revenue	23,821,861	40,689,215	25,468,811
Profit/(loss) before tax	10,709,605	24,153,773	12,606,881
Profit/(loss) after tax	9,490,605	20,258,819	12,081,371

As at 31 December 2022, the audited net assets of the Target Company amounted to approximately HK\$41.99 million and as at 30 June 2023, the unaudited net assets of the Target Company amounted to approximately HK\$54.07 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Track Record and Business Prospect of the Target Company

In view of the Group's principal business and the businesses carried out by the Target Company, being the Type 4 (advising on securities) and Type 9 (asset management) regulated activities permitted under the SFO and the DL Family Office License granted, the Group entered into the Prior SPA to proceed with the Prior Acquisition in order to expand, strengthen and direct toward its development as a service provider with full-range and integrated financial services available. Throughout the past financial year since the completion of the Prior Acquisition and up to the Latest Practicable Date, there has been significant growth and development in the Group's businesses with such regulated activities in connection with the Target Company.

In view of the favourable track record in terms of the key financial metric stipulated in the section headed “Financial information of the Target Company” above and the business collaboration with the Target Company, the Company believes that the Acquisition proposed to acquire the Sale Shares, which represent the remaining approximately 55.00% of the entire issued share capital of the Target Company will be a meaningful step in realizing the Group’s strategy of creating greater value for the Shareholders and also further strengthening the industry position of the Group. In addition, with the view to further expand its relevant financial services, the Company is of the view that the Acquisition enables the Group to explore and leverage the synergy between the Target Company and the Group, and will be complementary to the Group’s existing operation and business layout, consolidate its existing advantageous position, generate synergies and accelerate the Group’s development.

In particular, (i) with the DL Family Office License, by bringing the Target Company (and its business) into the Group, the Group can streamline and integrate its existing and future business collaborations with Target Company and the Acquisition would enable the enlarged Group to expand into new business opportunities in the future; and (ii) with the revenue of the Target Company increased by approximately HK\$16.87 million or 70.81% from approximately HK\$23.82 million for the year ended 31 December 2021 to approximately HK\$40.69 million for the year ended 31 December 2022, and the profit before tax increased by approximately HK\$13.44 million or 125.53% from approximately HK\$10.71 million to HK\$24.15 million for the same period, the Board is optimistic about the business development of the Target Company, taking into account of the speedy recovery of the global economy and the capital markets of both Hong Kong and the PRC, together with the revival of investors’ confidence thereto, and considers that the Acquisition could broaden the income sources and strengthen the financial position of the Group as a whole.

Settlement Method and Financing plan to settle the Consideration

By satisfying part of the Consideration with the Promissory Note, the immediate burden to the Company’s financial resources can be reduced since the issue of the Promissory Note lowers the cash amount required to be paid by the Group for the Consideration upon Completion and such arrangement of payment by Promissory Note would not cause immediate material cash outflow pressure on the Group, safeguarding the imminent financial position of the Group.

Based on the assessment of the Board on the Group, the Company has sufficient internal resources to satisfy the repayment of the Promissory Note for the Consideration as it falls due. The Board intends to finance the repayment of the Promissory Note by internal resources and/or then financial resources available to the Group. While the Board considers that financial resources available to the Group will be sufficient for repayment when the Promissory Note falls due, the Group is minded to maintain stable financial position and the Board may consider to conducting other debt financing and/or equity fund raising activities as and when appropriate in accordance with the Listing Rules.

Discounted Consideration when compared to Independent Valuation

According to the valuation report prepared by the Independent Valuer of the Sale Shares as at 30 June 2023, the Sale Shares’ fair value is amounted to HK\$230,200,000.00, with the Consideration being an approximately 4.43% discount to the fair value of the Sale Shares according to the valuation report, the Board considers the Consideration to be fair and reasonable.

Conclusion

Taking into account of all factors elaborated above, the Directors (including members the Independent Board Committee whose views have been set out in this circular after taking into consideration the advice of Vinco Financial but excluding Mr. Chen Ningdi, Mr. Lang Joseph Shie Jay, Mr. Ai Kuiyu and Ms. He Zhiying who abstained from voting at the Board meeting in respect of the resolutions approving the Acquisition due to their respective material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder) consider that the Acquisition (i) being in line with and beneficial to the future development of the Group; (ii) is on normal commercial terms; and (iii) the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, one of the shareholders of the Vendor is Ms. Jiang Xinrong, a non-executive Director until her resignation on 28 April 2023 and the spouse of Mr. Chen Ningdi (an executive Director), and she owns approximately 36.60% of the issued share capital of the Vendor. Therefore, the Vendor is an associate of each of Ms. Jiang Xinrong and Mr. Chen Ningdi, and accordingly, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

On a standalone basis, with more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but all of them are less than 25%, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder (on a standalone basis) constitute disclosable transactions for the Company under Chapter 14 of the Listing Rules.

As disclosed in the Prior Announcements dated 23 May 2022, 18 October 2022 and 17 January 2023, the EW Acquisition was completed on 18 October 2022 and the Prior Acquisition was completed on 17 January 2023. With (A)(i) the Acquisition; and (ii) the completion of each of the EW Acquisition and the Prior Acquisition took place within a 12-month period; (B) the vendor of the sales of the entire issued share capital of Emerald Wealth Management Limited is the wholly-owned subsidiary of the Vendor; and (C) the vendor of the sales of shares in the Target Company is the same in both the Prior Acquisition and the Acquisition, the Acquisition, the Prior Acquisition and the EW Acquisition shall be aggregated as if they were one transaction pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition, the Prior Acquisition and EW Acquisition exceed 5% but all of them are less than 25%, the EW Acquisition, the Prior Acquisition, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

In view of the above, the Acquisition is correspondingly subject to the reporting, announcement, the circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors (i.e. Mr. Chang Eric Jackson, Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley) and Mr. Liu Chun) has been established to consider, and make recommendations to the Independent Shareholders regarding, amongst other things, whether the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Sale and Purchase Agreement.

INDEPENDENT FINANCIAL ADVISER

Vinco Financial has been appointed as the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, (i) Mr. Chen Ningdi is an executive Director and the spouse of Ms. Jiang Xinrong (a non-executive Director until her resignation on 28 April 2023 and owns approximately 36.60% of the issued share capital of the Vendor); (ii) Mr. Lang Joseph Shie Jay owns approximately 1.87% of the issued share capital of the Vendor; (iii) Mr. Ai Kuiyu owns approximately 1.87% of the issued share capital of the Vendor; and (iv) Ms. He Zhiying owns approximately 11.41% of the issued share capital of the Vendor. Accordingly, each of Mr. Chen Ningdi, Mr. Lang Joseph Shie Jay, Mr. Ai Kuiyu and Ms. He Zhiying has considered himself/herself to have a material interest in the Sale and Purchase Agreement and has abstained from voting on the relevant resolution of the Board approving the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder.

EGM AND CLOSURE OF REGISTER OF MEMBERS

The Company will convene the EGM at Unit 2902, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong on Tuesday, 14 November 2023 at 11:00 a.m. to consider and, if thought fit, approve, among other things, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Any Shareholders or their respective associates with a material interest in the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder shall abstain from voting at the EGM.

The relevant interested Shareholders, namely:

- (i) Mr. Chen Ningdi, Ms. Jiang Xinrong (i) and their respective associates, as they together held 779,928,099 Shares in aggregate, representing approximately 53.64% of the issued share capital of the Company as at the Latest Practicable Date;

- (ii) Mr. Ai Kuiyu, his spouse and their respective associates, as they together held 6,667,299 Shares in aggregate, representing approximately 0.46% of the issued share capital of the Company as at the Latest Practicable Date;
- (iii) Mr. Lang Joseph Shie Jay's spouse and the respective associates of Mr. Lang Joseph Shie Jay and hers, as they together held 1,427,400 Shares in aggregate, representing approximately 0.098% of the issued share capital of the Company as at the Latest Practicable Date; and
- (iv) Ms. He Zhiying and her associates as they together held 6,044,874 Shares in aggregate, representing approximately 0.42% of the issued share capital of the Company as at the Latest Practicable Date,

will abstain from voting on the resolution approving the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, as at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required under the Listing Rules to abstain from voting at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM. The Company will appoint scrutineers to handle vote-taking procedures at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for the EGM is enclosed. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting) if you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Thursday, 9 November 2023 to Tuesday, 14 November 2023 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates with Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 November 2023.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages IBC-1 to IBC-2 of this circular which contains its recommendations to the Independent Shareholders on the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice received from Vinco Financial, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages IFA-1 to IFA-25 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder, the casting of votes for or against the resolution(s) approving the above, as well as the principal factors and reasons considered by it in concluding its advice.


The Directors (including members the Independent Board Committee whose views have been set out in the section headed "Letter from the Independent Board Committee" in this after taking into consideration the advice of Vinco Financial but excluding Mr. Chen Ningdi, Mr. Lang Joseph Shie Jay, Mr. Ai Kuiyu and Ms. He Zhiying) are of the view that the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and they recommend the Independent Shareholders to vote in favour of the resolution(s) at the EGM.

ADDITIONAL INFORMATION

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

Shareholders and potential investors should note that completion of the Acquisition is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement and may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
DL Holdings Group Limited



Chen Ningdi
Chairman, Chief Executive Officer and Executive Director