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## **DL HOLDINGS GROUP LIMITED**

**德林控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1709)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **PROPOSED REVISION OF TERMS AND ANNUAL CAPS OF THE ADVISORY AGREEMENT**

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

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
法博資本有限公司

#### **PROPOSED REVISION OF TERMS AND ANNUAL CAPS OF THE ADVISORY AGREEMENT**

Reference is made to the announcement of the Company dated 29 December 2023 in relation to, among others, the Advisory Agreement entered into between DL Family Office (an indirect wholly-owned subsidiary of the Company) and Mr. Chen, pursuant to which, DL Family Office was appointed as the advisor of Mr. Chen for the provision of advisory services for a term of three years from 1 January 2024 to 31 December 2026.

In view of the increasing demand from Mr. Chen for the investment advisory and asset management advisory services provided by DL Family Office, it is expected that the Existing Annual Caps will not be sufficient to meet the demand. Accordingly, on 17 July 2024 (after trading hours of the Stock Exchange), DL Family Office entered into the Supplemental Advisory Agreement with Mr. Chen to revise the Existing Annual Caps for a term of three years commencing from 1 April 2024 to 31 March 2027. The nature and scope of the service is substantially the same as covered in the previous agreement. The reasons for the significant increase in annual cap are due to the increasing AUM/AUA for Mr. Chen and the increasing demand for investment advisory and asset management services from Mr. Chen.

## **LISTING RULES IMPLICATIONS**

Mr. Chen is an executive Director and a substantial shareholder of the Company as defined under the Listing Rules and therefore is a connected person of the Company. Accordingly, the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to revise the Existing Annual Caps under the Advisory Agreement, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Revised Annual Caps exceeds 5%, the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further information of the Supplemental Advisory Agreement and the Proposed Revised Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 7 August 2024.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 29 December 2023 in relation to, among others, the Advisory Agreement entered into between DL Family Office (an indirect wholly-owned subsidiary of the Company) and Mr. Chen, pursuant to which, DL Family Office was appointed as the advisor of Mr. Chen for the provision of advisory services for a term of three years from 1 January 2024 to 31 December 2026.

In view of the increasing demand from Mr. Chen for the advisory services provided by DL Family Office, it is expected that the Existing Annual Caps will not be sufficient to meet the demand. Accordingly, on 17 July 2024 (after trading hours of the Stock Exchange), DL Family Office entered into the Supplemental Advisory Agreement with Mr. Chen to revise the Existing Annual Caps for a term of three years commencing from 1 April 2024 to 31 March 2027. The nature and scope of the service is substantially the same as covered in the previous agreement. The reasons for the significant increase in annual cap are due to the increasing AUM/AUA for Mr. Chen and the increasing demand for investment advisory and asset management services from Mr. Chen.

Other than the revision of (i) the Existing Annual Caps to the Proposed Revised Annual Caps for a term of three years commencing from 1 April 2024 to 31 March 2027 and (ii) the notice clause, all other terms and conditions under the Advisory Agreement remain unchanged. As the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are subject to, among others, Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules (please refer to "Listing Rules Implications" below in this announcement for details), the Supplemental Advisory Agreement will only become effective upon the Supplemental Advisory Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders in compliance with the Listing Rules.

## **PRINCIPAL TERMS OF THE SUPPLEMENTAL ADVISORY AGREEMENT**

### **Date**

17 July 2024 (after trading hours of the Stock Exchange)

### **Parties**

- (1) Mr. Chen
- (2) DL Family Office

### **Duration**

1 April 2024 to 31 March 2027

### **Subject matter**

Pursuant to the Supplemental Advisory Agreement, the parties have agreed to revise the Existing Annual Caps under the Advisory Agreement to the Proposed Revised Annual Caps for a term of three years commencing from 1 April 2024 to 31 March 2027. Save as amended and supplemented by the Supplemental Advisory Agreement, all other terms of the Advisory Agreement remain unchanged.

### **Condition precedent**

The Supplemental Advisory Agreement will only become effective upon the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) having been approved by the Independent Shareholders in compliance with the Listing Rules.

## Historical figures and the Proposed Revised Annual Caps

The historical transaction amount paid and payable by Mr. Chen to DL Family office for the provision of advisory services under the Advisory Agreement for the six months ended 30 June 2024 was approximately HK\$9.43 million, which represents approximately 99.3% of the Existing Annual Caps of HK\$9.5 million for the year ending 31 December 2024. As at the date of this announcement, the Existing Annual Caps have not been exceeded. The transaction amount under the Advisory Agreement will be closely monitored to ensure that they do not exceed the Existing Annual Caps prior to obtaining approval from the Independent Shareholders of the Proposed Revised Annual Caps.

The following table sets out the Existing Annual Caps and the Proposed Revised Annual Caps of the management fees under the Advisory Agreement and the Supplemental Advisory Agreement, respectively:

	<b>For the year ending 31 December 2024 HK\$'000</b>	<b>For the year ending 31 December 2025 HK\$'000</b>	<b>For the year ending 31 December 2026 HK\$'000</b>
Existing Annual Caps	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>
	<b>For the year ending 31 March 2025 HK\$'000</b>	<b>For the year ending 31 March 2026 HK\$'000</b>	<b>For the year ending 31 March 2027 HK\$'000</b>
Proposed Revised Annual Caps	<u>25,000</u>	<u>35,000</u>	<u>45,000</u>

## **BASIS OF THE PROPOSED REVISED ANNUAL CAPS FOR THE SUPPLEMENTAL ADVISORY AGREEMENT**

The Proposed Revised Annual Caps in respect of the advisory services provided by DL Family Office to Mr. Chen are determined with reference to:

- (i) the historical transaction amounts of the advisory services provided by DL Family Office to Mr. Chen;
- (ii) the growing demand for advisory services from Mr. Chen;
- (iii) the prevailing market rates and the estimated costs to be incurred in connection with provision of the advisory services;
- (iv) the management fee rate of 0.5% per annum, which is in line with normal market terms for similar advisory services; and
- (v) the estimated net asset portfolio value of Mr. Chen which is estimated to be in the region of approximately HK\$3.0 billion to HK\$4.0 billion as at 31 March 2024.

## **REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL ADVISORY AGREEMENT**

DL Family Office has been providing advisory services to Mr. Chen since 30 December 2021. The Directors believe that the entering into of the Supplemental Advisory Agreement will allow the Group to leverage on the extensive investment advisory and asset management experiences of DL Family Office to continue provide advisory services to Mr. Chen and is in line with the Company's policy to broaden the revenue base of the Group and provide a stable source of revenue to the Group.

The Directors have been monitoring the historical transaction amounts under the Advisory Agreement. In view of the increasing demand from Mr. Chen for the advisory services provided by DL Family Office due to the increase in net asset portfolio of Mr. Chen, it is expected that the Existing Annual Caps will not be sufficient to meet the demand. Therefore, the Board proposed to revise the Existing Annual Caps to allow flexibility for transactions between DL Family Office and Mr. Chen.

The Directors (other than (i) the members of the Independent Board Committee who will express their views after considering the advice from the Independent Financial Adviser; and (ii) Mr. Chen, who abstained from voting at the Board meeting in respect of the resolutions approving the Supplemental Advisory Agreement due to his material interest in the Supplemental Advisory Agreement and the transactions contemplated thereunder) consider that the entering into of the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) is in the ordinary and usual course of business of the Group, and the terms thereof are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL**

The terms of the Supplemental Advisory Agreement were arrived at after arm's length negotiations between DL Family Office and Mr. Chen. In order to ensure the pricing under the Supplemental Advisory Agreement is on normal commercial terms, the Company has established a series of internal control procedures, among others, including, but not limited to:

1. On an annual basis or more regularly as necessary, the responsible business department of the Group will procure other quotations for similar transaction values from independent brokers and services providers in the market for comparisons of the advisory fee rates charged to their clients. If no comparable transaction is available, the Group will conduct review based on the nature and the scope of work performed.
2. Before the Group enters into any of the transactions, the responsible business department must ensure that (i) the price of the transaction is the same as, or within the price range of, comparable transactions carried out by independent third parties in the market and the pricing policy; and (ii) if there is any change to the Group's pricing policy or mechanism, that the revised pricing policy or mechanism is in line with market practice.
3. In accordance with the requirements under the Listing Rules, the auditors of the Company will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions of the Group: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the cap.

4. The independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group throughout the preceding financial year and confirm in the annual report of the Company whether the transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
5. The finance department of the Group will also collect statistics of each of the renewed continuing connected transactions on a yearly basis to ensure the annual caps approved are not exceeded.

## **INFORMATION ON THE GROUP, DL FAMILY OFFICE AND MR. CHEN**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability.

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

DL Family Office 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. DL Family Office is a licensed corporation under the SFO permitted to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Mr. Chen is the chairman of the Board, an executive Director, the chief executive officer of the Company and a substantial shareholder of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, DA Wolf Investments I Limited (“**DA Wolf**”) directly owned 535,808,134 Shares, representing approximately 35.29% of all issued Shares as at the date of this announcement. Mr. Chen, being the sole shareholder of DA Wolf, was deemed to be interested in the total of 535,808,134 Shares held by DA Wolf. Mr. Chen also held 17,791,666 Shares as beneficial owner.

As at the date of this announcement, Rapid Raise Investments Limited (“**Rapid Raise**”), a company wholly-owned by DL Family Office Global Limited as at the date of this announcement, of which approximately 36.6% of the issued share capital was held by Ms. Jiang, directly held 226,124,966 Shares, representing approximately 14.89% of all issued Shares as at the date of this announcement. Accordingly, Ms. Jiang was deemed to be interested in the 226,124,966 Shares held by Rapid Raise. Ms. Jiang also held 203,333 Shares as beneficial owner. By virtue of the SFO, Mr. Chen, being the spouse of Ms. Jiang, was deemed to be interested in all Shares held by Ms. Jiang.

Accordingly, as at the date of this announcement, Mr. Chen is deemed to be beneficially interested in 779,928,099 Shares, representing approximately 51.37% of the issued share capital of the Company.

Mr. Chen is an executive Director and a substantial shareholder of the Company as defined under the Listing Rules and therefore is a connected person of the Company. Accordingly, the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to revise the Existing Annual Caps under the Advisory Agreement, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Revised Annual Caps exceeds 5%, the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

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), Mr. Liu Chun and Mr. Li Xiaoxiao) has been established to advise the Independent Shareholders in respect of the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps). The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same respect.



The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

A circular containing, among other things, (i) further information of the Supplemental Advisory Agreement and the Proposed Revised Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 7 August 2024.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Advisory Agreement”	the advisory agreement dated 29 December 2023 entered into between DL Family Office and Mr. Chen in respect of the provision of advisory services
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AUA”	assets under advisory
“AUM”	assets under management
“Board”	the board of Directors
“Company”	DL Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 1709)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DL Family Office”	DL Family Office (HK) Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company

“EGM”	an extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps)
“Existing Annual Caps”	the existing annual caps for the three respective years ending 31 December 2024, 31 December 2025 and 31 December 2026 under the Advisory Agreement
“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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps)
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Advisory Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps)
“Independent Shareholders”	the Shareholders who have no material interest in, and are not required under the Listing Rules to abstain from voting at the EGM to approve, the Supplemental Advisory Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chen”	Mr. Chen Ningdi, the chairman of the Board, an executive Director and the chief executive officer of the Company
“Ms. Jiang”	Ms. Jiang Xinrong, the spouse of Mr. Chen
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Proposed Revised Annual Caps”	the revised annual caps for the transactions contemplated under the Advisory Agreement (as amended and supplemented by the Supplemental Advisory Agreement) for the three years ending 31 March 2025, 31 March 2026 and 31 March 2027
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Advisory Agreement”	the supplemental advisory agreement dated 17 July 2024 entered into between DL Family Office and Mr. Chen to amend and supplement the Advisory Agreement
“%”	per cent.

By order of the Board  
**DL Holdings Group Limited**  
**Chen Ningdi**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 17 July 2024

*As at the date of this announcement, the executive Directors are Mr. Chen Ningdi, Mr. Lang Joseph Shie Jay, Mr. Ai Kuiyu and Ms. He Zhiying; the non-executive Directors are Mr. Chan Kwan, Mr. Chan Kwun Wah Derek and Mr. Wang Yiding; and the independent non-executive Directors are Mr. Chang Eric Jackson, Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley), Mr. Liu Chun and Mr. Li Xiaoxiao.*