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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)

CONNECTED TRANSACTIONS IN RELATION TO

(1) THE SUBSCRIPTION OF SHARES IN

DL HOLDINGS (JAPAN) LIMITED*

(2) POTENTIAL FINANCIAL ASSISTANCE

(3) POTENTIAL CONTINUING CONNECTED TRANSACTION

AND CHANGE IN USE OF PROCEEDS

THE SUBSCRIPTION

The Board announces that on 17 July 2024 (after trading hours), (a) the Target Company (as issuer); and (b) Subscriber 1, Subscriber 2 and Subscriber 3 (as subscribers), entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue, the Subscription Shares, representing 87.5% of the issued share capital of the Target Company as enlarged by the allotment and issue of the Subscription Shares, at the aggregate Subscription Price of JPY140 million (equivalent to approximately HK\$7 million).

The Target Company is principally engaged in, among others, property investment and the major asset and activity of the Target Company is investment in the Property and the leasing thereof.

POTENTIAL FINANCIAL ASSISTANCE

Upon its incorporation and as at the date of this announcement, the Target Company is wholly owned by Mr. Chen. To facilitate the then intended purchase of the Property by the Target Company, Mr. Chen (as the sole shareholder of the Target Company) obtained the Loan Facility from the Lender pursuant to the Facility Letter. The Loan Facility had been fully drawn by Mr. Chen and on-lent to the Target Company as the DLJP Shareholder's Loan to finance its purchase of the Property. In connection therewith, the Target Company has provided the Corporate Guarantee and the Mortgage.

Given the potential change in the shareholding structure of the Target Company upon Completion, pursuant to the requirements of the Lender, the Company, Subscriber 2 and Subscriber 3 are required to provide corporate guarantees in proportion to their respective beneficial interests in the Target Company. On or before the Completion, the Company will enter into the Letter of Guarantee for providing the DL Guarantee in favour of the Lender.

On 17 July 2024, the Company, the Target Company and Mr. Chen entered into the Deed to confirm and govern the financing arrangement under the Loan Facility, the DLJP Shareholder's Loan, the Corporate Guarantee, the Mortgage and the DL Guarantee.

POTENTIAL CONTINUING CONNECTED TRANSACTION

As at the date of the Subscription Agreement, there is a subsisting Tenancy Agreement between the Target Company (as landlord) and Subscriber 2 (as tenant). Upon Completion, Subscriber 2 will become a connected person of the Company at the subsidiary level by virtue of holding 12.5% of the total issued share capital of the Target Company, and the existing tenancy under the Tenancy Agreement entered into between the Target Company and Subscriber 2 will become continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

CHANGE IN USE OF PART OF THE NET PROCEEDS FROM THE PLACING

References are made to (i) the announcement of the Company dated 21 March 2024 in relation to the Placing; and (ii) the announcement of the Company dated 9 April 2024 in relation to the completion of the Placing. The net proceeds (after deducting the placing commission, professional fees and all other related expenses which may be borne by the Company) received by the Company from the Placing were approximately HK\$223.7 million.

Having considered the reasons for and benefits of the Subscription as set out in the section headed “Reasons for and benefits of the Subscription”, in order to better utilise the financial resources of the Company and to capture favourable investment opportunities, the Board has reviewed and resolved to reallocate part of the unutilised net proceeds of approximately HK\$5 million from the Placing for the Subscription.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Target Company is directly wholly owned by Mr. Chen, the chairman of the Board, an executive Director, the chief executive officer of the Company and a controlling shareholder of the Company. Mr. Chen is a connected person of the Company and the Target Company is an associate of Mr. Chen. As such, the Target Company is regarded as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and the Subscription as contemplated under the Subscription Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Subscription exceed 0.1% but are less than 5%, the Subscription is therefore subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

Upon Completion, the Target Company will be indirectly owned as to 62.5% by the Company and will become an indirect non-wholly owned subsidiary of the Company. The provision of the DLJP Shareholder’s Loan by Mr. Chen to the Target Company will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the DLJP Shareholder’s Loan is conducted on normal commercial terms or better and the DLJP Shareholder’s Loan is not counter-secured by any assets of the Group, the DLJP Shareholder’s Loan is fully exempted from Shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Upon Completion, the provision of the Corporate Guarantee and the Mortgage by the Target Company pursuant to the Facility Letter will also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the provision of the Corporate Guarantee and the Mortgage are more than 0.1% but less than 5%, the provision of the Corporate Guarantee and the Mortgage is subject to reporting and announcement requirements but exempt from the independent Shareholders’ approval under Chapter 14A of the Listing Rules.

Furthermore, Subscriber 2, being the existing tenant of the Property under the Tenancy Agreement, will become a substantial shareholder of the Target Company holding 12.5% of the total issued share capital of the Target Company upon Completion and thus a connected person of the Company at the subsidiary level. Accordingly, upon Completion, the Tenancy Agreement (entered into between the Target Company and Subscriber 2) and the transaction contemplated thereunder will become a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios in relation to the highest annual amount payable under the Tenancy Agreement are less than 1% and the transaction contemplated under the Tenancy Agreement only involves connected person of the Company at the subsidiary level, the Tenancy Agreement and the transaction contemplated thereunder will be fully exempted from the shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(b) of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Subscription Agreement. The Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

THE SUBSCRIPTION

The Board announces that on 17 July 2024 (after trading hours), (a) the Target Company (as issuer); and (b) Subscriber 1, Subscriber 2 and Subscriber 3 (as subscribers), entered into the Subscription Agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Target Company has conditionally agreed to allot and issue, the Subscription Shares, representing 87.5% of the issued share capital of the Target Company as enlarged by the allotment and issue of the Subscription Shares, at the aggregate Subscription Price of JPY140 million (equivalent to approximately HK\$7 million).

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date

17 July 2024

Parties

- (1) The Target Company as the issuer;
- (2) Subscriber 1 as one of the Subscribers; and
- (3) Subscriber 2 and Subscriber 3 as the other Subscribers.

As at the date of this announcement, the Target Company is directly wholly owned by Mr. Chen, the chairman of the Board, an executive Director, the chief executive officer of the Company and a controlling shareholder of the Company. Mr. Chen is a connected person of the Company and the Target Company is an associate of Mr. Chen. As such, the Target Company is regarded as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Subscriber 2 and Subscriber 3 and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Subject matter

Pursuant to the Subscription Agreement, Subscriber 1, Subscriber 2 and Subscriber 3 shall subscribe for 2,500, 500 and 500 Subscription Shares to be allotted and issued by the Target Company, respectively, representing 62.5%, 12.5% and 12.5% of the issued share capital of the Target Company as enlarged by the Subscription, at the Subscription Price.

Consideration

The total Subscription Price is JPY140 million (equivalent to approximately HK\$7 million) and the respective Subscription Price payable by Subscriber 1, Subscriber 2 and Subscriber 3 to the Target Company on the Completion Date is JPY100 million, JPY20 million and JPY20 million (equivalent to approximately HK\$5 million, HK\$1 million and HK\$1 million, respectively).

The Subscription Price of JPY100 million (equivalent to approximately HK\$5 million) payable by Subscriber 1 will be funded by the unutilised net proceeds from the Placing.

Basis of consideration

The Subscription Price represents a post-money valuation of the Target Company of approximately JPY160 million (equivalent to approximately HK\$8 million). The consideration was determined after arm's length negotiations between the Target Company and the Subscribers with reference to, among others, (i) the preliminary valuation of the Property as at 1 June 2024 in the aggregate amount of JPY230 million (the “**Valuation**”), conducted by Vincorn Consulting and Appraisal Limited (the “**Valuer**”), an independent professional valuer, based on comparable property prices under the market approach; (ii) prevailing property market conditions in Japan; and (iii) the post-money adjusted net asset value of the Target Company of approximately JPY180.5 million based on (a) the appreciated value of the Property of approximately JPY43.0 million with reference to the Valuation and the book value of the Property of approximately JPY187.0 million in the audited financial statements of the Target Company for the year ended 29 February 2024; (b) the net liability position of the Target Company of approximately JPY2.5 million as at 29 February 2024; and (c) the proceeds from the Subscription of JPY140 million.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of each of the following conditions:

- (1) all necessary consents and approvals required to be obtained on the part of the Target Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (2) all necessary consents and approvals required to be obtained on the part of the Subscribers in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (3) the Company shall have complied with all the requirements under the Listing Rules in connection with the Subscription. If required, all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (4) all necessary applications, documentation, registration, changes in the Loan Facility, the Corporate Guarantee, the Mortgage, the DL Guarantee, the respective guarantees provided by Subscriber 2 and Subscriber 3, consents and approvals required to be obtained from the Lender in respect of the Subscription Agreement and the transactions contemplated thereunder having been completed, obtained and remain in full force and effect;

- (5) any other necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies or such other third parties as may be required by applicable laws, rules or regulations for the Subscription shall have been obtained;
- (6) the Subscribers having obtained a final valuation report from an independent valuer confirming the fair value of the Property as at the valuation date to be determined by the Subscribers at no less than JPY230 million;
- (7) each of the warranties made by or on behalf of the Target Company remaining true and accurate and not misleading, in each case as at the Completion Date with the same force and effect as if repeated throughout the period between the date of the Subscription Agreement and up to and including the Completion Date;
- (8) each of the warranties made by or on behalf of the Subscribers remaining true and accurate and not misleading, in each case as at the Completion Date with the same force and effect as if repeated throughout the period between the date of the Subscription Agreement and up to and including the Completion Date; and
- (9) no material adverse change in respect of the Target Company having occurred since the date of the Subscription Agreement.

The Subscribers may at any time prior to the Long Stop Date by notice in writing waive the conditions set out in paragraphs (6), (7) and (9) above. The Target Company may at any time prior to the Long Stop Date by notice in writing waive the condition set out in paragraph (8) above. For the avoidance of doubt, conditions set out in paragraphs (1) to (5) cannot be waived.

If any of the above conditions has not been fulfilled (or, as the case may be, waived by the Subscribers and/or the Target Company) prior to the Long Stop Date, the Subscription Agreement shall automatically terminate (save and except customary surviving provisions such as confidentiality and governing law) and neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the second Business Day after the day on which the conditions precedent of the Subscription Agreement have been satisfied or waived (as the case may be), or such other day as the Subscribers and the Target Company may agree in writing.

Upon Completion, the Target Company will be indirectly owned as to 62.5% by the Company and will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the accounts of the Group.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As previously disclosed in the announcements and reports of the Company, the Group has been keen on exploring global real estate investment opportunities which will help raise the profile of the Group, accelerate the business development of the Group's global real estate segment, and further expand the source of income of the Group. The Subscription represents the first real estate investment of the Group in Japan and it is intended that the Target Company will serve as the branch office of the Group in Japan which represents an excellent opportunity for the Group to expand into Japan's financial market.

The Directors, having taken into account various factors such as the location, rental yield, the original purchase price of the Property of JPY189 million by the Target Company back then in 2022, the historical and future potential appreciation in value of the Property, consider that the Subscription provides an excellent opportunity for the Group to (i) expand and strengthen its real estate investment portfolio, which will allow the Group to benefit from any future capital appreciation, and (ii) generate a new source of rental income which can serve as the Group's stable source of cash flow and revenue.

Under the current economic and market conditions, Japan will likely remain a popular destination for overseas capital for the coming few years. Leveraging on the experiences in multi-family office, asset management and investment services of the Group, it is expected that the Group will be able to benefit from it to build up a solid platform and to further explore other valuable business and investment opportunities in the Japanese market.

Taking into consideration the aforesaid factors, the Directors (including the independent non-executive Directors but excluding the Mr. Chen who had abstained from voting) are of the view that (1) the transactions contemplated under the Subscription Agreement are in line with the Group's strategy in exploring global real estate investment opportunities as mentioned above; and (2) the terms of the Subscription Agreement and the transactions contemplated thereunder, which were determined after arm's length negotiations among the parties thereto, are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

Information of the Company, the Group and Subscriber 1

The Company is an investment holding company and 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. The Group is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Subscriber 1 is an investment holding company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. Upon Completion, Subscriber 1 will hold 62.5% of the issued share capital of the Target Company.

Information of Subscriber 2 and Subscriber 3

Based on information available to the Company, the principal businesses of Subscriber 2 include (i) sales and purchase, leasing and management of real estate; (ii) restaurant operation and management; (iii) medical consultation; (iv) sales of liquor; and (v) provision of investment advice and consultation for investors in Japan. As at the date of this announcement, Subscriber 2 is the existing tenant of the Property under the Tenancy Agreement and is wholly owned by Ms. Xu Ting. Upon Completion, Subscriber 2 will become a substantial shareholder of the Target Company holding 12.5% of the issued share capital of the Target Company.

Based on information available to the Company, the principal businesses of Subscriber 3 include (i) provision of investment and consulting services; (ii) fund raising and investment portfolio management; (iii) real estate investment, management and intermediary services; and (iv) corporate merger and acquisition consulting services. As at the date of this announcement, Subscriber 3 is wholly owned by Mr. Kawayanagi Kiyohiro, a director of the Target Company. Upon Completion, Subscriber 3 will become a substantial shareholder of the Target Company holding 12.5% of the issued share capital of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Subscriber 2, Subscriber 3 and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Information of the Target Company and the Property

The Target Company is a company incorporated in Japan with limited liability and is principally engaged in, among others, property investment. As at the date of this announcement, the Target Company is directly wholly owned by Mr. Chen and the major asset and activity of the Target Company is investment in the Property and the leasing thereof.

Financial Information of the Target Company

The following sets out certain financial information of Target Company, as extracted from its audited financial statements for the year ended/as at 28 February 2023 and 29 February 2024:

| | For the year ended | |
|-----------------------------------|---------------------------|--------------------|
| | 28 February | 29 February |
| | 2023 | 2024 |
| | <i>(JPY)</i> | <i>(JPY)</i> |
| Revenue | 7,500,000 | 18,000,000 |
| Net profit/(loss) before taxation | (10,408,000) | 4,094,495 |
| Net profit/(loss) after taxation | <u>(10,472,100)</u> | <u>3,105,894</u> |
| | | |
| | As at | |
| | 28 February | 29 February |
| | 2023 | 2024 |
| | <i>(JPY)</i> | <i>(JPY)</i> |
| Net assets/(liabilities) | <u>(5,594,400)</u> | <u>(2,488,506)</u> |

Information of the Property

Details of the Property are set out below:

| | |
|---------------------------|--|
| Location: | Flat 201 on 2nd Floor and a Carpark Garage on Ground Floor, Cosmos Minamiyukigaya (コスモ南雪谷), 684-1-1 and 684-1-3, 4-Chome, Minamiyukigaya, Ota District, Tokyo, Japan |
| Gross floor area: | 257.98 square meter |
| Building type: | Residential |
| Property completion year: | 1988 |
| Landlord: | Target Company |
| Tenant: | Subscriber 2 |
| Existing lease term: | 2 years commencing from 1 November 2023 and expiring on 31 October 2025 (both days inclusive) |
| Rent: | Monthly rent of JPY1,500,000 (equivalent to approximately HK\$75,000) (inclusive of management fee) |
| Mortgage: | The Property is subject to a mortgage in favour of the Lender. As at 14 June 2024, the outstanding amount of such mortgage facility was JPY116,551,090 (equivalent to approximately HK\$5,827,555) |

POTENTIAL FINANCIAL ASSISTANCE

Upon its incorporation and as at the date of this announcement, the Target Company is wholly owned by Mr. Chen. To facilitate the then intended purchase of the Property by the Target Company, Mr. Chen (as the sole shareholder of the Target Company) obtained the Loan Facility pursuant to the Facility Letter. The Loan Facility had been fully drawn by Mr. Chen and on-lent to the Target Company as the DLJP Shareholder's Loan to finance its purchase of the Property. In connection therewith, the Target Company has provided the Corporate Guarantee and the Mortgage.

Given the potential change in the shareholding structure of the Target Company upon Completion, pursuant to the requirements of the Lender, the Company, Subscriber 2 and Subscriber 3 are required to provide corporate guarantees in proportion to their respective beneficial interests in the Target Company. On or before the Completion, the Company will enter into the Letter of Guarantee for providing the DL Guarantee in favour of the Lender. The Company will make further announcement in respect of the DL Guarantee in compliance with the requirements of the Listing Rules as and where appropriate.

On 17 July 2024, the Company, the Target Company and Mr. Chen entered into the Deed to confirm and govern the financing arrangement under the Loan Facility, the DLJP Shareholder's Loan, the Corporate Guarantee, the Mortgage and the DL Guarantee, pursuant to which the parties agreed that (i) the repayment by the Target Company under the DLJP Shareholder's Loan shall be made to the Lender for discharging Mr. Chen's repayment obligation under the Facility Letter; (ii) the full amount of payment made by the Target Company to the Lender for the purpose of the Facility Letter, as directed by Mr. Chen pursuant to the Deed, represents repayment by the Target Company under the DLJP Shareholder's Loan on a dollar-to-dollar basis; and (iii) in addition to the Corporate Guarantee and the Mortgage as provided by the Target Company under the Facility Letter, at the request of the Lender and in consideration of the continuance of the Loan Facility under the Facility Letter provided to Mr. Chen by the Lender and the onward provision of the DLJP Shareholder's Loan by Mr. Chen to the Target Company (which will be an indirect non-wholly owned subsidiary of the Company upon Completion), the Company agrees to provide the DL Guarantee as security for due performance of the obligations under the Facility Letter, which had been fully utilised by the Target Company for its acquisition of the Property.

Given that (i) the purpose of obtaining the Loan Facility is to finance the Target Company's purchase of the Property and Mr. Chen had drawn the Loan Facility in full and on-lent the same to the Target Company as a shareholder's loan at the same repayment terms and interest rate as those set out in the Facility Letter, without receiving any fee or commission nor any counter-security or guarantee from the Target Company for such arrangement; (ii) the provision of the Corporate Guarantee and the Mortgage as part of the conditions of the Loan Facility under the Facility Letter, and (iii) the guarantee amount under the DL Guarantee is in proportion to the Company's beneficial interest in the Target Company upon Completion, the Directors (including the independent non-executive Directors but excluding the Mr. Chen who had abstained from voting) are of the view that the provision of the DLJP Shareholder's Loan, the Corporate Guarantee, the Mortgage, the DL Guarantee and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group from the perspective of property investment, their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

POTENTIAL CONTINUING CONNECTED TRANSACTION

As at the date of the Subscription Agreement, there is a subsisting Tenancy Agreement between the Target Company (as landlord) and Subscriber 2 (as tenant). For the principal terms of the Tenancy Agreement, please refer to “General Information of the Parties – Information of the Target Company and the Property – Information of the Property” in this announcement. Upon Completion, Subscriber 2 will become a connected person of the Company at the subsidiary level by virtue of holding 12.5% of the total issued share capital of the Target Company (which will become an indirect non-wholly owned subsidiary of the Company). As such, the Tenancy Agreement and the transactions contemplated thereunder will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Completion.

The Directors (including the independent non-executive Directors but excluding the Mr. Chen who had abstained from voting) are of the view that the Tenancy Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group from the perspective of property investment, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGE IN USE OF PART OF THE NET PROCEEDS FROM THE PLACING

References are made to (i) the announcement of the Company dated 21 March 2024 in relation to the Placing; and (ii) the announcement of the Company dated 9 April 2024 in relation to the completion of the Placing. The net proceeds (after deducting the placing commission, professional fees and all other related expenses which may be borne by the Company) received by the Company from the Placing were approximately HK\$223.7 million.

Having considered the reasons for and benefits of the Subscription as set out in the section headed “Reasons for and benefits of the Subscription”, in order to better utilise the financial resources of the Company and to capture favourable investment opportunities, the Board has reviewed and resolved to reallocate part of the unutilised net proceeds of approximately HK\$5 million from the Placing for the Subscription. As at the date of this announcement, the Group had utilised approximately HK\$217.02 million of the net proceeds and the unutilised net proceeds amounted to approximately HK\$6.68 million. Details of the original allocation and the revised allocation of the net proceeds are set out as follows:

| | Original allocation of the net proceeds <i>HK\$'million</i> | Utilised amount of the net proceeds as at the date of this announcement <i>HK\$'million</i> | Unutilised net proceeds as at the date of this announcement <i>HK\$'million</i> | Revised allocation of the unutilised net proceeds <i>HK\$'million</i> | Expected date of full utilisation of the unutilised net proceeds |
|--|---|--|--|--|---|
| (i) Repayment of debt | 130.00 | 130.00 | – | – | – |
| (ii) Indirect investment in DL Tower | 35.00 | 35.00 | – | – | – |
| (iii) Investment in funds including but not limited to multi-strategy funds and limited partnership funds in Hong Kong | 15.00 | 15.00 | – | – | – |
| (iv) Investment in our ONE Carmel premier residential project located in United States | 15.00 | 15.00 | – | – | – |
| (v) Investment, research and development of our AI family office system (DL-GPT) | 10.00 | 5.00 | 5.00 | – | – |
| (vi) Investment in IT facilities and upgrading the IT system | 5.00 | 3.32 | 1.68 | 1.68 | December 2024 |
| (vii) Replenishing the working capital of the Group | 13.70 | 13.70 | – | – | – |
| (viii) Investment in Japan through the Subscription | – | – | – | 5.0 | September 2024 |
| | <u>223.70</u> | <u>217.02</u> | <u>6.68</u> | <u>6.68</u> | |

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Target Company is directly wholly owned by Mr. Chen, the chairman of the Board, an executive Director, the chief executive officer of the Company and a controlling shareholder of the Company. Mr. Chen is a connected person of the Company and the Target Company is an associate of Mr. Chen. As such, the Target Company is regarded as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and the Subscription as contemplated under the Subscription Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription exceed 0.1% but are less than 5%, the Subscription is therefore subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Upon Completion, the Target Company will be indirectly owned as to 62.5% by the Company and will become an indirect non-wholly owned subsidiary of the Company. The provision of the DLJP Shareholder's Loan by Mr. Chen to the Target Company will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the DLJP Shareholder's Loan is conducted on normal commercial terms or better and the DLJP Shareholder's Loan is not counter-secured by any assets of the Group, the DLJP Shareholder's Loan is fully exempted from Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Upon Completion, the provision of the Corporate Guarantee and the Mortgage by the Target Company pursuant to the Facility Letter will also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the provision of the Corporate Guarantee and the Mortgage are more than 0.1% but less than 5%, the provision of the Corporate Guarantee and the Mortgage is subject to reporting and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

Furthermore, Subscriber 2, being the existing tenant of the Property under the Tenancy Agreement, will become a substantial shareholder of the Target Company holding 12.5% of the total issued share capital of the Target Company upon Completion and thus a connected person of the Company at the subsidiary level. Accordingly, upon Completion, the Tenancy Agreement (entered into between the Target Company and Subscriber 2) and the transaction contemplated thereunder will become a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest annual amount payable under the Tenancy Agreement are less than 1% and the transaction contemplated under the Tenancy Agreement only involves connected person of the Company at the subsidiary level, the Tenancy Agreement and the transaction contemplated thereunder will be fully exempted from the shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1)(b) of the Listing Rules.

Mr. Chen is considered to have material interests in the Subscription Agreement, the Deed and the transactions contemplated thereunder and had abstained from voting on the Board’s resolutions approving the Subscription Agreement, the Deed and the transactions contemplated thereunder. Save for Mr. Chen, none of the Directors have any material interest in the Subscription Agreement, the Deed and the transactions contemplated thereunder or are required to abstain from voting on the Board’s resolutions approving the Subscription Agreement, the Deed and the transactions contemplated thereunder.

Completion of the Subscription is conditional upon the fulfilment of the conditions set out under “Principal Terms of the Subscription Agreement – Conditions precedent” in this announcement, which may or may not be fulfilled. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

| | |
|------------------------------|---|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “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) |
| “Completion” | the completion of the Subscription in accordance with the Subscription Agreement |
| “Completion Date” | the date of Completion |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Corporate Guarantee” | the corporate guarantee for the guarantee amount of not less than the Facility Amount, in favour of the Lender in relation to the Facility Amount granted to Mr. Chen pursuant to the Facility Letter |

| | |
|--------------------------------|--|
| “Deed” | the deed of undertaking and confirmation dated 17 July 2024 entered into among the Company, the Target Company and Mr. Chen to confirm and govern the financing arrangement under the Loan Facility, the DLJP Shareholder’s Loan, the Mortgage and the DL Guarantee |
| “Director(s)” | the director(s) of the Company from time to time |
| “DL Guarantee” | the guarantee provided by the Company in favour of the Lender in relation to the Loan Facility under the Letter of Guarantee |
| “DLJP Shareholder’s Loan” | the unsecured shareholder’s loan in the amount of JPY132,300,000 (equivalent to approximately HK\$6,615,000) provided by Mr. Chen to the Target Company |
| “Facility Amount” | JPY132,300,000 (equivalent to approximately HK\$6,615,000) |
| “Facility Letter” | the facility letter dated 22 September 2022 entered into between the Lender, Mr. Chen and the Target Company in relation to the provision of Loan Facility |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company or Directors, chief executive, or substantial Shareholders of the Company or any of its subsidiaries or their respective associates |
| “JPY” | Japanese yen, the lawful currency of Japan |
| “Lender” | ORIX Finance Services Hong Kong Limited, a licensed money lender in Hong Kong and an Independent Third Party |

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| “Letter of Guarantee” | the letter of guarantee to be entered into by the Company, in relation to the provision of DL Guarantee as security for the repayment obligations of Mr. Chen |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Facility” | the 144-month mortgage instalment loan in the principal amount of JPY132,300,000 (equivalent to approximately HK\$6,615,000), with an interest rate at 2.8% per annum over one-month TIBOR (Tokyo Interbank Offered Rate) over the cost of fund, granted by the Lender to Mr. Chen pursuant to the Facility Letter |
| “Long Stop Date” | means 31 December 2024 (or such later date as may be agreed among the Subscribers and the Target Company in writing) |
| “Mortgage” | the first legal charge over the Property to secure for an amount of no less than JPY158,760,000 (equivalent to approximately HK\$7,938,000), in favour of the Lender in relation to the Facility Amount granted to Mr. Chen pursuant to the Facility Letter |
| “Mr. Chen” | Mr. Chen Ningdi, the chairman of the Board, an executive Director, the chief executive officer of the Company and a controlling shareholder of the Company |
| “Placing” | the placing of 64,370,000 new Shares by the Company as described in the announcements of the Company dated 21 March 2024 and 9 April 2024 |
| “Property” | a property held by the Target Company, details of which are set out in “General Information of the Parties – Information of the Target Company and the Property – Information of the Property” in this announcement |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Share(s)” | ordinary share(s) in the share capital of the Company |

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| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscribers” | Subscriber 1, Subscriber 2 and Subscriber 3 |
| “Subscriber 1” | Instant Glad Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company |
| “Subscriber 2” | GOTOU Co., Ltd.* (五島株式会社), a company incorporated in Japan with limited liability, whose ultimate beneficial owner is Ms. Xu Ting, holding 100% of its shareholding as at the date of this announcement |
| “Subscriber 3” | HIJIRI PARTNERS Co., Ltd.* (ヒジリパートナーズ株式会社), a company incorporated in Japan with limited liability, whose ultimate beneficial owner is Mr. Kawayanagi Kiyohiro, holding 100% of its shareholding as at the date of this announcement |
| “Subscription” | the subscription by the Subscribers of the Subscription Shares to be allotted and issued by the Target Company pursuant to the Subscription Agreement |
| “Subscription Agreement” | the subscription agreement dated 17 July 2024 entered into between the Target Company (as issuer) and the Subscribers (as subscribers) in respect of the Subscription |
| “Subscription Price” | a total of JPY140 million (i.e. JPY40,000 per Subscription Share), being the subscription price payable by the Subscribers to the Target Company for the Subscription |
| “Subscription Shares” | an aggregate of 3,500 new shares of the Target Company to be issued to and subscribed by the Subscribers |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “subsidiary” | has the meaning ascribed to it under the Listing Rules |

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| “Target Company” | DL Holdings (Japan) Limited* (德林投資株式会社), a company incorporated in Japan with limited liability, which is directly owned as to 100% by Mr. Chen as at the date of this announcement |
| “Tenancy Agreement” | the tenancy agreement dated 1 November 2023 entered into between the Target Company and Subscriber 2 in relation to the tenancy of the Property |
| “%” | per cent. |

For the purpose of this announcement and for the purpose of illustration only, JPY amounts have been translated using the rate of JPY1.00 = HK\$0.05. Such translation should not be construed as a representation that the JPY amounts in question have been, could have been or could be converted to HK\$ at such rate or at all.

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.

* *For identification purpose only*