THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in DL Holdings Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF MEMBERSHIP INTEREST IN CARMEL RESERVE LLC; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

建 泉 融 資 有 限 公 司
VBG Capital Limited

A notice convening the EGM of the Company to be held at Unit 2801, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 11 December 2020 at 2:30 p.m. is set out on pages 64 to 65 of this circular.

If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the EGM and/or the Hong Kong Observatory has announced at or before 12:00 noon on the date of the meeting that either of the above mentioned warnings is to be issued within the next two hours, the EGM will be adjourned. The Company will publish an circular to notify Shareholders of the date, time and place of the adjourned EGM.

The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situation.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks and health declarations
- recommended wearing of a surgical face mask for each attendee
- NO distribution of corporate gift or refreshment will be served at the EGM

Any person who does not comply with the precautionary measures may be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

20 November 2020

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In view of the ongoing novel coronavirus (COVID-19) ("**COVID-19**") situation, the Company will be taking the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue at the Company's discretion.

- The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between.

- Any person, irrespective of nationality, who had travelled overseas in the 14-day period prior to the EGM and/or such other time periods as may be required or recommended by any government agencies from time to time, will not be permitted to attend the EGM.

- No distribution of corporate gift and refreshment will be served at the EGM.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. **Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this circular.**

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our registered office or to our email at ir@dl-gh.com.

If any Shareholder has any question relating to the meeting, please contact Boardroom Share Registrars (HK) Limited, the Company's share registrar as follows:

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
Email: SRinfo.hk@boardroomlimited.com
Tel: 2153 1688

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimize any risk to Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time.

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

"Board"	the board of Directors
"Business Day"	a day (other than Saturdays, Sundays and public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted or in effect between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for business
"Circular"	the circular of the Company dated 20 November 2020
"Class A Membership Interest"	interest in the Target Company as a class A member of the Target Company
"Class B Membership Interest"	interest in the Target Company as a class B member of the Target Company
"Company"	DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder
"Enterprise Value"	the total value of the equity of the Target Company plus the value of its debt minus any cash or cash equivalent
"First Long Stop Date"	31 December 2020
"First Tranche Completion"	completion of the subscription of the First Tranche Subscription Interest in accordance with the terms and conditions of the Subscription Agreement
"First Tranche Completion Date"	the date on which the First Tranche Completion takes place, being the second Business Day immediately after the date on which the First Tranche Conditions Precedent are satisfied and/or waived or such other date as the Subscriber and the Target Company may agree in writing

"First Tranche Conditions Precedent"	the conditions precedent to the First Tranche Completion of the Subscription Agreement
"First Tranche Subscription"	the subscription by the Subscriber for, and the issue and allotment by the Target Company, of the First Tranche Subscription Interest, on the terms and conditions of the Subscription Agreement
"First Tranche Subscription Interest"	the Class B Membership Interest to be subscribed by the Subscriber subject to the terms of the Subscription Agreement, which represents 10.01% of the Class B Membership Interest in the Target Company as enlarged by the First Tranche Subscription
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, lawful currency of Hong Kong
"Independent Board Committee"	an independent board committee of the Company comprising of all the independent non-executive Directors formed for advising the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription
"Independent Shareholders"	the Shareholders, other than those required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM, to approve the Subscription Agreement and the transactions contemplated thereunder
"Independent Valuer"	Vincorn Consulting and Appraisal Limited, an independent professional qualified valuer appointed by the Company for the purpose of preparing the valuation reports on the Property and the Enterprise Value of the Target Company
"Latest Practicable Date"	17 November 2020, being the latest practicable date prior to the printing of this Circular for ascertaining certain information referred to in this Circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

'Membership Interest''	Class A Membership Interest and Class B Membership Interest
''MOU''	the non-legally binding memorandum of understanding dated 11 June 2020 entered into between the Company and the Target Company
''Operating Agreement''	the amended and restated limited liability company agreement of the Target Company to be entered into between all members of the Target Company on upon First Tranche Completion
''Phase 1 Final Map Approval''	recording of the phase 1 final map at the Monterey County
''Project''	the project to develop ''ONE Carmel'', an ultra-luxury residential project located in Carmel Valley of Monterey County in California, the US
''Promissory Note''	the interest-free promissory note in the aggregate principal amount of US$3,500,000 to be issued by the Subscriber to the Target Company to satisfy part of the consideration pursuant to the terms and conditions in the Subscription Agreement
''Property''	the real property located in the County of Monterey, State of California consisting of approximately 891 acres (APNs 015-171-010-000, 015-171-012-000, 015-361-013-000 and 015-361-014-000) located on Carmel Valley Road, Carmel Valley, California, the US
''Second Long Stop Date''	30 June 2021
''Second Tranche Completion''	completion of the subscription of the Second Tranche Subscription Interest in accordance with the terms and conditions of the Subscription Agreement
''Second Tranche Completion Date''	the date on which the Second Tranche Completion takes place, being the second Business Day immediately after the date on which the Second Tranche Conditions Precedent are satisfied and/or waived or such other date as the Subscriber and the Target Company may agree in writing
''Second Tranche Conditions Precedent''	the conditions precedent to the Second Tranche Completion of the Subscription Agreement

"Second Tranche Subscription"	the subscription by the Subscriber for, and the issue and allotment by the Target Company, of the Second Tranche Subscription Interest, on the terms and conditions of the Subscription Agreement
"Second Tranche Subscription Interest"	the Class B Membership Interest to be subscribed by the Subscriber subject to the terms of the Subscription Agreement, which represents 18.94% of the Class B Membership Interest in the Target Company as enlarged by the Second Tranche Subscription
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	DL Investment Holdings US, LLC, a company with limited liability incorporated in the State of Delaware, a wholly owned subsidiary of the Company
"Subscription"	the First Tranche Subscription and the Second Tranche Subscription
"Subscription Agreement"	the subscription agreement dated 21 August 2020 entered into between the Subscriber and the Target Company
"Subscription Interest"	the First Tranche Subscription Interest and the Second Tranche Subscription Interest, which represents an aggregate of the 27.06% of the Class B Membership Interest in the Target Company as enlarged by the Subscription
"Supplemental Operating Agreement"	the supplemental agreement to the amended and restated limited liability company agreement of the Target Company to be entered into between all members of the Target Company upon Second Tranche Completion
"Target Company"	Carmel Reserve LLC, a company with limited liability incorporated in the State of Delaware and its Class A Membership Interest is owned as to 100% by DLC CR LLC and Class B Membership Interest is owned as to 95% and 5% by DL Family US Holdings, Corporation and Clear Peak NV LLC as at the Latest Practicable Date

"Title Report"	the title report in respect of the Property issued by Chicago Title Company with effective date on 30 July 2020
"US"	United States of America
"US$"	United States dollar, the lawful currency of the United States of America
"Valuation Date"	the effective date of the valuation report adopted in the valuation report of the Target Company to be issued by the Independent Valuer
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of US$ to HK$ in this circular is based on the exchange rate of US$1 to HK$7.8. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.

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)

Executive Directors:
Ms. Jiang Xinrong *(Chairman)*
Mr. Chen Ningdi

Non-Executive Directors:
Mr. Chan Kwan Wah Derek
Mr. Li Ren

Independent Non-executive Directors:
Mr. Chang Eric Jackson
Mr. Chen Cheng Lien
Ms. Liu Chun

Registered office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111, Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 2902
Vertical Square
28 Heung Yip Road
Wong Chuk Hang
Hong Kong

20 November 2020

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF MEMBERSHIP INTEREST IN CARMEL RESERVE LLC; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 11 June 2020 and 21 August 2020. The Board is pleased to announce that on 21 August 2020 (after trading hours of the Stock Exchange), the Subscriber, a wholly-owned subsidiary of the Company, and the Target Company entered into the Subscription Agreement, pursuant to which the Target Company has conditionally agreed to issue and allot to the Subscriber, and Subscriber has conditionally agreed to subscribe for, 27.06% Class B Membership Interest of the Target

Company as enlarged by the Subscription at the consideration of US$5,000,000 (equivalent to approximately HK$39,000,000), which represents a post-money enterprise value of the Target Company of approximately US$35,000,000 (equivalent to approximately HK$273,000,000).

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the advice of the Independent Financial Adviser on the Subscription Agreement and the transactions contemplated thereunder; (iv) the valuation reports; (v) other information as required under the Listing Rules; and (vi) the notice convening the EGM.

THE SUBSCRIPTION AGREEMENT

Date: 21 August 2020

Parties: (i) the Subscriber; and

(ii) the Target Company

As at the Latest Practicable Date, the Class B Membership Interest of the Target Company is owned as to 95% by DL Family US Holdings, Corporation and 5% by Clear Peak NV LLC, respectively, which together wholly own DLC Capital GP Limited. The Class A Membership Interest of the Target Company is owned as to 100% by DLC CR LLC of which DLC Capital GP Limited is holding 100% of the voting Class A interest of DLC CR LLC while DLC Capital Partners I, L.P. is holding 100% of the non-voting Class B interest of DLC CR LLC. DLC Capital GP Limited, being the general partner of DLC Capital Partners I, L.P., and DL Family US Holdings, Corporation are ultimately controlled by Ms. Jiang Xinrong, the Chairman and executive Director and Mr. Chen Ningdi, the executive Director. As such, the Target Company is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Subscription of Membership Interest

Subject to fulfilment of the conditions of the Subscription and the terms set out in the Subscription Agreement, the Target Company shall issue and allot to the Subscriber, and the Subscriber shall subscribe for, the Subscription Interest free from all encumbrances, representing an aggregate of 27.06% of the Class B Membership Interest of the Target Company as enlarged by the Subscription in two tranches as follow:

(a) First Tranche Subscription:

subject to the terms and conditions of the Subscription Agreement, the Target Company shall issue and allot to the Subscriber, and the Subscriber shall subscribe for, the First Tranche Subscription Interest free from all encumbrances, representing 10.01% of the Class B Membership Interest of the Target Company as enlarged by the First Tranche Subscription;

(b) Second Tranche Subscription:

subject to the terms and conditions of the Subscription Agreement, the Target Company shall issue and allot to the Subscriber, and the Subscriber shall subscribe for, the Second Tranche Subscription Interest free from all encumbrances, representing 18.94% of the Class B Membership Interest of the Target Company as enlarged by the Second Tranche Subscription.

Consideration

The consideration for the subscription of the Subscription Interest shall be the sum of US$5,000,000 (equivalent to approximately HK$39,000,000), which shall be settled by the Subscriber in the following manner:

(a) First Tranche Consideration:

The consideration for the subscription of the First Tranche Subscription Interest of US$1,500,000 (equivalent to approximately HK$11,700,000) shall be paid in cash at First Tranche Completion by the Subscriber to the Target Company by wire transfer to the bank account designated by the Target Company; and

(b) Second Tranche Consideration:

The consideration for the subscription of the Second Tranche Subscription Interest of US$3,500,000 (equivalent to approximately HK$27,300,000) shall be settled at Second Tranche Completion by way of issue of the Promissory Note bearing no interests and repayable on the date falling one (1) year after the date of issue by the Subscriber to the Target Company.

The First Tranche Consideration will be financed by internal resources of the Group and/or external financing.

Basis of consideration

The consideration of the Subscription represents a post-money enterprise value of the Target Company of approximately US$35,000,000 (equivalent to approximately HK$273,000,000). The consideration was determined after arm's length negotiations between the Target Company and the Company after taking into consideration by the Company of various factors, among other things, (i) the factors stated in the section headed "Reasons for and Benefits of the Subscription" set out below; (ii) the current financial position of the Group in respect of the size and financial resources available for such investment; and (iii) the preliminary pre-money valuation on the enterprise value of the Target Company as at 30 June 2020 as appraised by the Independent Valuer by using asset-based approach of no less than approximately US$30,000,000 (equivalent to approximately HK$234,000,000).

The following table illustrate the calculation of the Enterprise Value of the Target Company as at 30 June 2020 prepared by the Independent Valuer:

	US$'million	*Equivalent to approximately HK$'million*
Non-current assets		
— market value of the Property as at 30 June 2020 *(Note)*	30.00	234.00
Current assets	1.25	9.75
Total Assets	31.25	243.75
Non-current liabilities	12.00	93.60
Current liabilities	5.57	43.45
Total Liabilities	17.57	137.05
Adjusted Net Asset Value	13.68	106.70
Add: Debt	17.60	137.28
Less: Cash	(0.93)	(7.25)
Market Value of 100% Enterprise Value	30.36	236.81
Market Value of 100% Enterprise Value (rounded)	30.00	234.00

* Numbers may not add up due to rounding.

Note: The market value adjustment regarding the Property is based on a property valuation as at 30 June 2020 prepared by the Independent Valuer.

Conditions Precedent of the Subscription Agreement

First Tranche Completion of the Subscription is subject to the fulfilment or waiver (as the case may be) of the following First Tranche Conditions Precedent:

(i) the Target Company having complied with all necessary statutory governmental and regulatory obligations and obtained all necessary consents, approvals and permits in respect of the Subscription Agreement and the Subscription;

(ii) each of the Subscriber and the Target Company having obtained all necessary consents, approvals and permits in respect of the Subscription Agreement and the Subscription;

(iii) the passing of all resolutions by the Shareholders of the Company (other than those who are required to abstain from voting under the Listing Rules) at a general meeting of the Company approving the entering into the Subscription Agreement by the Subscriber and the performance of the transactions contemplated thereunder including, without limitations, the Subscription, in accordance with the relevant provisions in the Listing Rules, the articles of association of the Company and the applicable laws and regulations in Hong Kong;

(iv) the Subscriber notifying the Target Company in writing that it is reasonably satisfied with a due diligence review and investigation on the Target Company including without limitation to its assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects (including the title of the Property);

(v) the Subscriber having received a title report of the Property with an effective date of no more than 30 days before the date of the First Tranche Completion, which states that the Target Company is the sole legal and beneficial owner of the Property with no additional encumbrances from the date of the Title Report and having good title thereof; and

(vi) the Subscriber having received a valuation report issued by an independent qualified valuer (as defined under Rule 5.08 of the Listing Rules) to be appointed by the Subscriber and shall be in such form and substance acceptable to the Subscriber for the value of the Property, showing that the fair enterprise value of the Target Company on pre-money basis as at the Valuation Date is not less than US$30,000,000.

The Subscriber and the Target Company shall use their reasonable endeavours to procure that all First Tranche Conditions Precedent above are satisfied on or before the First Long Stop Date. Pursuant to the Subscription Agreement, the Subscriber may waive all or part of the conditions (iv), (v) and (vi) set out above in whole or in part (and whether conditionally or unconditionally) at any time by written notice to the Target Company. If the above First Tranche Conditions Precedent have not been fulfilled or waived (if applicable) before the First Long Stop Date (or such other date as the Subscriber and the Target Company may agree in writing), the Subscription Agreement (other than the clauses in relation to confidentiality, notices, costs and expenses, process agent, governing law and third party rights) shall lapse and become null and void and the parties shall be released form all obligations thereunder save for liabilities for any antecedent breaches thereof.

As at the Latest Practicable Date, save for the condition set out in paragraph (i) above which has been satisfied, none of the other conditions have been satisfied. The Subscriber was not aware of any circumstances which may result in any of other conditions not being fulfilled and currently has no intention to waive any of the First Tranche Conditions Precedent.

Second Tranche Completion of the Subscription is subject to the fulfilment or waiver (as the case may be) of the following Second Tranche Conditions Precedent:

(i) the completion of the First Tranche Subscription having taken place; and;

(ii) the Target Company having obtained the Phase 1 Final Map Approval.

The Subscriber and the Target Company shall use their reasonable endeavours to procure that all Second Tranche Conditions Precedent above are satisfied on or before the Second Long Stop Date. None of the Second Tranche Conditions Precedent above may be waived by either the Subscriber or the Target Company.

As at the Latest Practicable Date, the Target Company is scheduling and communicating the voting time for Phase 1 Final Map Approval with Monterey County. The voting by the board of supervisors of Monterey County to approve the final map is currently expected to take place by end of year 2020.

Completion of the Subscription Agreement

Each of First Tranche Completion and Second Tranche Completion shall take place on the First Tranche Completion Date and the Second Tranche Completion Date, respectively.

At First Tranche Completion of the Subscription, the Subscriber shall enter into the Operating Agreement in such form and substance satisfactory to the Subscriber and duly executed by all the members of the Target Company. At Second Tranche Completion, the Subscriber shall enter into the Supplemental Operating Agreement in such form and substance satisfactory to the Subscriber and duly executed by all the members of the Target Company.

The Operating Agreement and the Supplemental Operating Agreement

Upon the First Tranche Completion and Second Tranche Completion, the Subscriber, the other members of the Target Company and the Target Company shall enter into the Operating Agreement and the Supplemental Operating Agreement respectively. The entering into the Supplemental Operating Agreement is mainly to reflect the percentage of Class B Membership Interests of the Subscriber upon Second Tranche Completion.

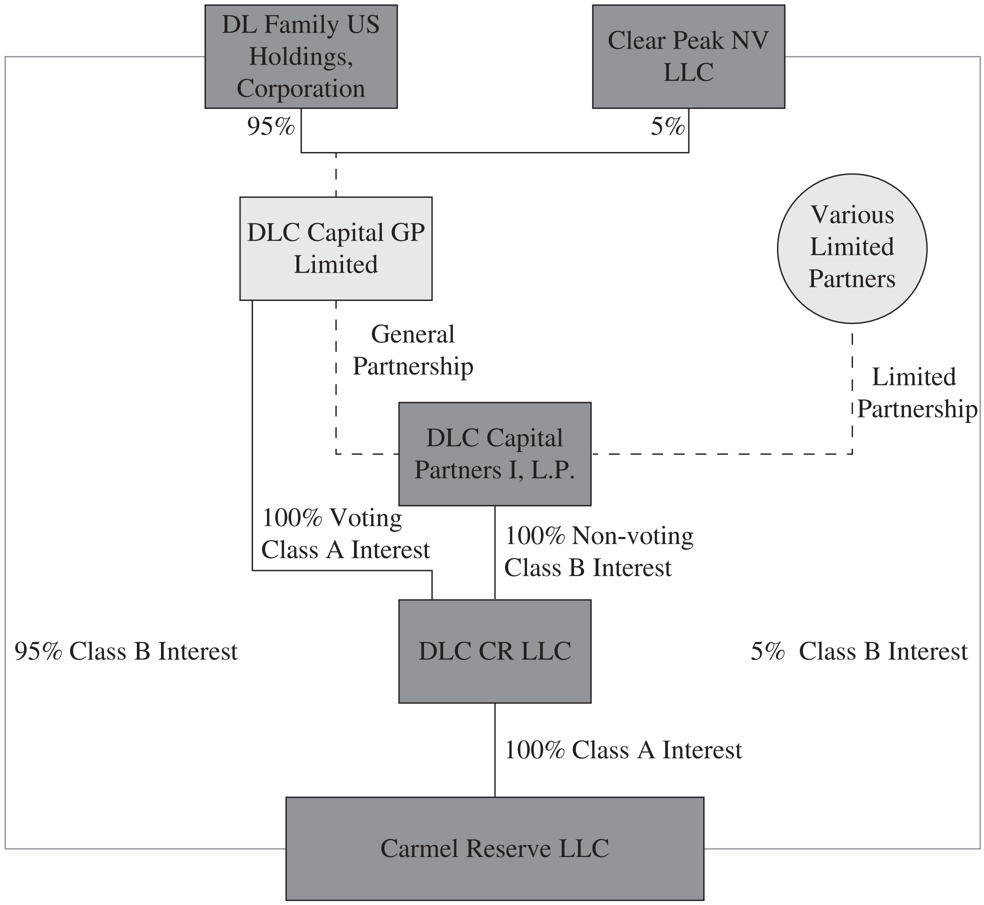
Pursuant to the Operating Agreement, among other things, the Class A member shall be solely responsible for the management and other decision-making relating to the business and affairs of the Target Company while the Class B members shall not participate in the management and other decision-making relating to the business and affairs of the Target Company. Notwithstanding the foregoing, the Class A member shall not, by voluntary or involuntary actions, avoid or seek to avoid the observance or performance of any of the rights or privileges of the Class B members under the Operating Agreement. The Subscribers shall be admitted to the Target Company as a Class B member, and be bound by the terms of the Operating Agreement applicable to members of Class B Membership Interest. Furthermore, the Subscriber will (i) be entitled to receive any and all amounts of distributable profit of the Target Company in proportion to its Class B Membership Interest in the Target Company; (ii) be permitted to visit and inspect the Target Company's properties, to examine its books of account and records and to discuss the Target Company's affairs, finances and accounts with its officers; and (iii) receive the audited annual financial statements and unaudited interim financial statements of the Target Company within the prescribed period of time after the end of each financial year and half-year. The Operating Agreement also sets out provisions in relation to the transfer of Membership Interest by members of the Target Company and issue of new Membership Interest by the Target Company, including rights of first offer, rights of first refusal and rights of co-sale.

INFORMATION ON THE TARGET COMPANY AND THE PROJECT

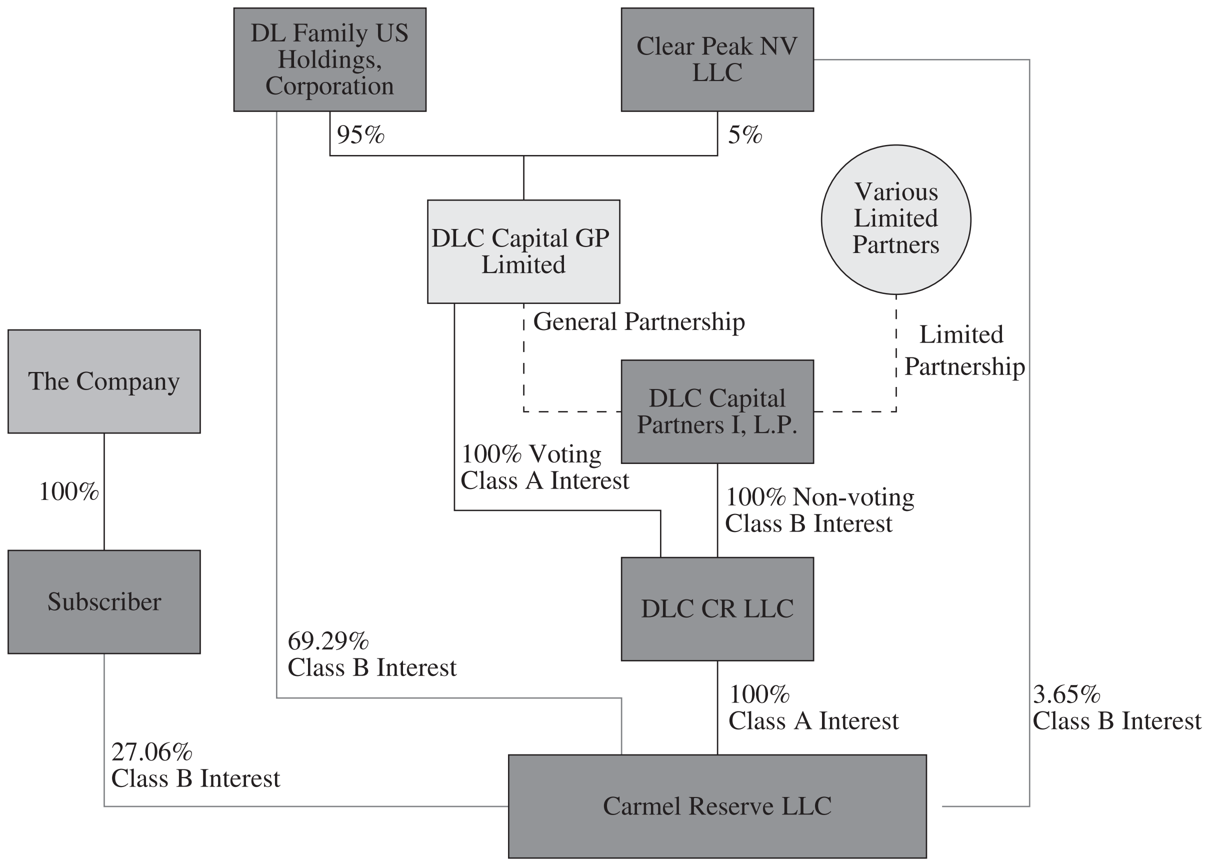
The Target Company is a company incorporated in the State of Delaware in the US with limited liability which is principally engaged in the investment, construction and development of a project named "ONE Carmel", which is an ultra-luxury residential project located in Carmel Valley of Monterey County in California, the US.

As at the Latest Practicable Date, the Class B Membership Interest of the Target Company is owned as to 95% by DL Family US Holdings, Corporation, a company with principal business of providing family office services, and 5% by Clear Peak NV LLC, an property investment company which is owned by an individual US property investor, respectively, which together wholly own DLC Capital GP Limited. The Class A Membership Interest of the Target Company is owned as to 100% by DLC CR LLC of which DLC Capital GP Limited is holding 100% of the voting Class A interest of DLC CR LLC while DLC Capital Partners I, L.P., a Cayman fund mainly investing in the Target Company and owned by a number of limited partners among which DL Family US Holdings, Corporation and DA Asset Management Limited are connected persons of the Company together holding less than 20% of the limited partnership interest in DL Capital Partners I, L.P., is holding 100% of the non-voting Class B interest of DLC CR LLC. DLC Capital GP Limited, being the general partner of DLC Capital Partners I, L.P. to manage the investment in the Target Company, and DL Family US Holdings, Corporation are ultimately controlled by Ms. Jiang Xinrong, the Chairman and executive Director and Mr. Chen Ningdi, the executive Director.

The ownership structure of the Target Company prior to the First Tranche Completion and Second Tranche Completion is set out as follows:



The ownership structure of the Target Company after the First Tranche Completion and Second Tranche Completion is set out as follows:



The table below sets out certain financial information of the Target Company for the two years ended 31 December 2019 and the six months ended 30 June 2020 which is prepared based on the audit reports and the management account provided by the Target Company:

	For the year ended 31 December 2018 *(US$'000)* *(audited)*	**For the year ended 31 December 2019** *(US$'000)* *(audited)*	**For the six months ended 30 June 2020** *(US$'000)* *(unaudited)*
Turnover	—	—	—
Loss before tax	70.14	269.30	260.76
Loss after tax	70.14	270.90	261.56

The unaudited total assets and net assets of the Target Company as at 30 June 2020 were approximately US$21.21 million and US$3.64 million respectively.

Information of the Project

The Project, named "ONE Carmel", is a 891 acre (approximately 3.6 square kilometer) property in Carmel Valley of Monterey County in California, the US, developable into an ultra-luxury residential community of 73 lots with an average land area of 4.38 acres (approximately 17,725 square meter). Carmel Valley is located at the South of San Francisco Bay Area and on the shores of the Pacific Ocean in Monterey County, California. The Project is situated between the San Francisco Bay Area and Los Angeles, the two foremost economic and innovation centers of the US. It is expected that the Project will be the last large-scale residential development project in Carmel Valley.

INFORMATION OF THE COMPANY AND THE SUBSCRIBER

The Group is principally engaged in (i) sales of apparel products with the provision of supply chain management total solutions to customers; and (ii) provision of financial services of licensed businesses including financial advisory services, securities research, referral and brokerage services, and margin financing services.

The Subscriber is a limited liability company formed under the laws of the State of Delaware and a wholly owned subsidiary of the Company.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION

As disclosed in the annual report of the Group for the year ended 31 March 2020, the Group considered to the business environment remain challenging in year 2020 due to the COVID19 outbreak, global economic uncertainty and international conflict. However, the Group is expected that there are opportunities to come along with the risks. The temporary downturn of global economy may create more investment, financing and marketing activities across the globe in anticipation of gradual recovery. Therefore, the Group continues to identify business partners and other investment opportunities in respect of the financial services business to expand its investment portfolio and valuable assets, with an aim to drive sustainable growth of the Group.

The Project will be divided into two phases and the Target Company is in the process of obtaining the Phase 1 Final Map Approval which is expected to be obtained in late 2020 or early 2021. Upon having the Phase 1 Final Map Approval, the Target Company can apply for a State approval to presell the 36 residential lots under phase 1 for which the proceeds from the pre-sale and the Subscription will become the major source of funding for the development of the Project. The Target Company will consider the construction loan from banks if and when necessary. The 36 lots under phase 1 are expected to be offered for pre-sale in 2021 and the 37 lots under phase 2 are expected to be offered for pre-sale in 2023. The construction of Project is expected to be completed by 2025 and the sale process of the Project is expected be completed by 2025 at which profits will be distributed to the members of the Target Company. The Target Company may distribute intermediate proceeds depending on the sales processes of the Project and financial status of the Target Company. Based on the current estimation and cashflow projection, the Subscriber is not required to make further capital injection for the development of the Project.

As set out in the announcement of the Company dated 14 May 2020, the Group is actively expanding its investment portfolio in order to strengthen its brand recognition and market exposure, as well as to produce additional and stable income streams to diversify risks and to increase Shareholders' return. The Board is endeavour to diversify the investment portfolio of the Group through different types of investments and mitigate the market risks of the Group's investments. The Subscription represents the first real estate investment of the Group. Notwithstanding with the fact that the Subscription Interest bares no management rights or control on the Target Company, having considered that the Group has been expanding its investment portfolio, the Board is of the view that the being as a passive financial investor in the Target Company, the Group will be able to enjoy the future potential profit through distribution to be made by the Target Company. Based on the current projection taking into account the respective key assumptions which includes: (i) the project development timeline of completing the sales of all lots in 2025; (ii) the estimated average selling price per lot based on the pricing analysis provided by an independent real estate advisory firm and the cost estimate based on the engineer's bond estimate provided by a civil engineering firm; and (iii) the expected profit distribution upon the completion of the Project in 2025, it is expected that the Subscription would yield an internal rate of return (IRR) of approximately 40.1%. The Board considers that the Subscription, if materialises, represents an attractive investment opportunity to the Group through the return generated by the residential project held by the Target Company. In light of the above, the Directors (other than members of the Independent Board Committee, who will express their opinion after having considered the recommendation from the Independent Financial Adviser) consider that (i) the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable to the Group; and (ii) the entering into the Subscription Agreement is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Class B Membership Interest of the Target Company is owned as to 95% by DL Family US Holdings, Corporation and 5% by Clear Peak NV LLC, respectively, which together wholly own DLC Capital GP Limited. The Class A Membership Interest of the Target Company is owned as to 100% by DLC CR LLC of which DLC Capital GP Limited is holding 100% of the voting Class A interest of DLC CR LLC while DLC Capital Partners I, L.P. is holding 100% of the non-voting Class B interest of DLC CR LLC. DLC Capital GP Limited, being the general partner of DLC Capital Partners I, L.P., and DL Family US Holdings, Corporation are ultimately controlled by Ms. Jiang Xinrong, the Chairman and executive Director and Mr. Chen Ningdi, the executive Director. By virtue of the above, the Target Company is a connected person of the Company. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

Independent Board Committee

The Independent Board Committee, comprising all the independent non-executive Directors, namely 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 the terms of the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription. The text of the letter from the Independent Board Committee is set out on pages 19 to 20 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 21 to 43 of this circular.

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

EGM

The EGM will be convened and held at Unit 2801, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 11 December 2020 at 2:30 p.m. for the Shareholders to consider and, if thought fit, approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 64 to 65 of this circular.

Ms. Jiang Xinrong (being the Chairman of the Board and an executive Director) and Mr. Chen Ningdi (being the chief executive officer and an executive Director) had abstained from voting on the Board's resolutions approving the Subscription Agreement and the transactions contemplated thereunder in light of their material interests in the Subscription. As at the Latest Practicable Date, Mr. Chen Ningdi and Ms. Jiang Xinrong are interested in an aggregate of 733,242,395 Shares, representing approximately 53.79% of the total issued share capital of the Company, which comprises (i) 5,500,000 Shares held by Mr. Chen Ningdi as beneficial owner; (ii) 495,209,395 Shares held through DA Wolf Investments I Limited (a company wholly owned by Mr. Chen Ningdi); (iii) 10,115,000 Shares held by Ms. Jiang Xinrong as beneficial owner; and (iv) 222,418,000 Shares held through Rapid Raise Investments Limited (a company owned as to approximately 30% by Mr. Chen Ningdi and approximately 36.6% by Ms. Jiang Xinrong). Mr. Chen Ningdi and Ms. Jiang Xinrong will also be abstained from voting on the resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Latest Practicable Date, no other Shareholder has a material interest in the Subscription and no other Shareholder is required to abstain from voting at the EGM to approve the resolution(s) in respect of the Subscription Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company 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 holding of the

EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

RECOMMENDATIONS

The Directors, including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular after considering the advice from the Independent Financial Adviser, are of the view that the Subscription Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription contemplated under the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, which contains its recommendation to the Independent Shareholders, (ii) the letter from the Independent Financial Adviser set out on pages 21 to 43 of this circular, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders and (iii) the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
DL Holdings Group Limited
Chen Ningdi
Executive Director

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder.

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)

20 November 2020

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF MEMBERSHIP INTEREST IN CARMEL RESERVE LLC

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of DL Holdings Group Limited (the "**Company**") in respect of the resolution to approve the Subscription under the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular of the Company (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of VBG Capital Limited in its capacity as the independent financial adviser (the "**Independent Financial Adviser**") to the Independent Board Committee and the Independent Shareholders in respect of whether the Subscription 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, as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that although the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription and the transactions contemplated thereunder to be fair and reasonable, on normal commercial terms and are in the interests of the Company and the

Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the Subscription Agreement and the transactions contemplated thereunder.

Your faithfully,
For and on behalf of the Independent Board Committee

Mr. Chang Eric Jackson *Independent non-executive Director*	**Mr. Chen Cheng-Lien** *Independent non-executive Director*	**Mr. Liu Chun** *Independent non-executive Director*

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this circular.

建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

20 November 2020

To: The Independent Board Committee and the Independent Shareholders of DL Holdings Group Limited

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF MEMBERSHIP INTEREST IN CARMEL RESERVE LLC

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 20 November 2020 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 11 June 2020 and 21 August 2020. On 21 August 2020, the Subscriber, a wholly-owned subsidiary of the Company, and the Target Company entered into the Subscription Agreement, pursuant to which the Target Company has conditionally agreed to issue and allot to the Subscriber, and Subscriber has conditionally agreed to subscribe for, 27.06% Class B Membership Interest of the Target Company as enlarged by the Subscription at the consideration of US$5,000,000 (equivalent to approximately HK$39,000,000), which represents a post-money enterprise value of the Target Company of approximately US$35,000,000 (equivalent to approximately HK$273,000,000).

As at the Latest Practicable Date, the Class B Membership Interest of the Target Company is owned as to 95% by DL Family US Holdings, Corporation and 5% by Clear Peak NV LLC, respectively, which together wholly own DLC Capital GP Limited. The Class A Membership Interest of the Target Company is owned as to 100% by DLC CR LLC of which DLC Capital GP Limited is holding 100% of the voting Class A interest of DLC CR LLC while DLC Capital Partners I, L.P. is holding 100% of the non-voting Class B interest of DLC CR LLC. DLC Capital GP Limited, being the general partner of DLC Capital Partners I, L.P., and DL Family US Holdings, Corporation are ultimately controlled by Ms. Jiang Xinrong, the Chairman and executive Director and Mr. Chen Ningdi, the executive Director.

As such, according to the Letter from the Board, the Target Company is a connected person of the Company under Chapter 14A of the Listing Rules and the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

The Independent Board Committee, comprising all the independent non-executive Directors, namely 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 the terms of the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. We, VBG Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

VBG Capital Limited is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, VBG Capital Limited did not aware of have any relationships or interests with the Group that could reasonably be regarded as relevant to the independence of VBG Capital Limited. During the last two years and to the Latest Practicable Date, there was no engagement between the Group and VBG Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist and to the Latest Practicable Date whereby we had received any fees or benefits from the Group or any other parties that could be regarded as relevant to our independence. Accordingly, we are qualified to give independent advice in respect of the Subscription pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Subscription, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the Target Company, and we have not been furnished with any such evaluation or appraisal, save and except for (i) the valuation report of the preliminary pre-money enterprise value of the Target Company (the "**Enterprise Valuation Report**") as set out in Appendix II to the Circular; and (ii) the valuation report of the Property (the "**Property Valuation Report**") as set out in Appendix I to the Circular. The Enterprise Valuation Report and Property Valuation Report were prepared by Vincorn Consulting and Appraisal Limited (the "**Independent Valuer**"), an independent valuer. We have relied solely upon the Enterprise Valuation Report for the appraised pre-money enterprise value of the Target Company as at 30 June 2020 and the Property Valuation Report for the Property interests as at 31 August 2020.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription

1.1 Information of the Group and the Subscriber

The Group is principally engaged in (i) sales of apparel products with the provision of supply chain management total solutions to customers; and (ii) provision of financial services of licensed businesses including financial advisory services, securities research, referral and brokerage services, and margin financing services.

The Subscriber is a limited liability company formed under the laws of the State of Delaware and a wholly-owned subsidiary of the Company.

Set out below is a summary of the audited consolidated financial information on the Group for the three years ended 31 March 2020 as extracted from the Company's annual reports for the year ended 31 March 2018 (the "**2018 Annual Report**"), the year ended 31 March 2019 (the "**2019 Annual Report**") and the year ended 31 March 2020 (the "**2020 Annual Report**"), respectively:

	For the year ended 31 March 2020	**For the year ended 31 March 2019**	**For the year ended 31 March 2018**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	226,391	186,519	279,382
Gross Profit	30,587	20,918	54,584
Profit/(loss) for the year	(51,409)	18,682	15,688

	For the year ended 31 March 2020	**For the year ended 31 March 2019**	**For the year ended 31 March 2018**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	50,745	52,284	42,375
Total assets	211,114	180,456	115,695
Total liabilities	46,100	9,634	33,292
Net assets	165,014	170,822	82,403

For the year ended 31 March 2019

With reference to the 2019 Annual Report, the Group recorded HK$186.5 million in revenue for the year ended 31 March 2019, representing a decrease of approximately HK$92.9 million or 33.2% from HK$279.4 million for the year ended 31 March 2018. For the year ended 31 March 2019, the management of the Group advised that the Group was able to make a significant growth in sales to the Spain Customer despite the very challenging market conditions.

The Group's gross profit decreased to approximately HK$20.9 million for the year ended 31 March 2019 from approximately HK$54.6 million for the year ended 31 March 2018, representing a decrease of approximately 61.7%. The Group's gross profit margin decreased to approximately 11.2% for the year ended 31 March 2019 from approximately 19.5% for the year ended 31 March 2018.

The Group recorded profit and total comprehensive income attributable to owners of the Company of approximately HK$18.7 million for the year ended 31 March 2019 increased from approximately HK$15.7 million for the year ended 31 March 2018, representing an increase of approximately 19.1%. With reference to the 2019 Annual Report, the increase was mainly attributable to the other gains on the positive returns from the investments on securities, set off by the decrease in gross profit margin.

For the year ended 31 March 2020

With reference to the 2020 Annual Report, the Group recorded HK$226.4 million in revenue for the year ended 31 March 2020, representing an increase of approximately HK$39.9 million or 21.4% from HK$186.5 million for the year ended 31 March 2019. For the year ended 31 March 2020, the Group reported total operating revenue of approximately HK$226.4 million, of which approximately HK$212.9 million (2019: approximately HK$186.5 million) was from garment business segment, approximately HK$12.9 million (2019: N/A) was from finance services segment and approximately HK$0.6 million (2019: N/A) was from money lending services segment. Revenue generated from garment business segment increases approximately 14.1% mainly due to the expansion of European market. The revenue generated from financial services of licensed business and money lending services was due to the completion of the acquisition of DL Securities and DA Finance in November 2019.

The gross profit of the Group was approximately HK$30.6 million for the year ended 31 March 2020 as compared with approximately HK$20.9 million for the year ended 31 March 2019, which represents an increase of 46.2%. The increase was mainly attributable to (i) the contribution of gross profit of approximately HK$12.5 million from the newly acquired financial services business; and (ii) offset by the decline of gross profit of garment business of approximately HK$2.8 million, representing a decrease of approximately 14%

of the gross profit of the garment business as compared to the financial year ended 31 March 2019 due to the challenging business environment and offering competitive price for penetration to European market.

The Group recorded loss and total comprehensive loss attributable to owners of the Company of approximately HK$51.4 million for the year ended 31 March 2020 while the profit and total comprehensive income attributable to owners of the Company was approximately HK$18.7 million for the year ended 31 March 2019. The twist was mainly attributable to (i) loss on sales of equity securities of approximately HK$38.1 million and fair value loss on equity securities of approximately HK$1.2 million for the year ended 31 March 2020 while there was gain on sales of equity securities of approximately HK$11.5 million and fair value gain on equity securities of approximately HK$26.2 million for the year ended 31 March 2019 and (ii) offset by the contribution of net profit of approximately HK$3.9 million from the newly acquired financial services business.

1.2 Information on the Target Company

As extracted from the Letter from the Board, the Target Company is a company incorporated in the State of Delaware in the US with limited liability which is principally engaged in the investment, construction and development of a project named "ONE Carmel", which is an ultra-luxury residential project located in Carmel Valley of Monterey County in California, the US.

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the "ONE Carmel" project is the only project held by the Target Company.

Set out below is certain audited financial information on the Target Company for the two years ended 31 December 2019 and unaudited financial information on the Target Company for the six months ended 30 June 2020:

	For the six months ended 30 June 2020 (unaudited) *US$'000*	**For the year ended 31 December 2019** (audited) *US$'000*	**For the year ended 31 December 2018** (audited) *US$'000*
Turnover	—	—	—
Loss before tax	260.76	269.30	70.14
Loss after tax	261.56	270.90	70.14

The unaudited total assets and net assets of the Target Company as at 30 June 2020 were approximately US$21.21 million and US$3.64 million respectively.

1.3 Information on the Project

As extracted from the Letter from the Board, the Project, named "ONE Carmel", is a 891 acre (approximately 3.6 square kilometer) property in Carmel Valley of Monterey County in California, the US, developable into an ultra-luxury residential community of 73 lots with an average land area of 4.38 acres (approximately 17,725 square meter). Carmel Valley is located at the South of San Francisco Bay Area and on the shores of the Pacific Ocean in Monterey County, California. The Project is situated between the San Francisco Bay Area and Los Angeles, the two foremost economic and innovation centers of the US. As advised by the Company and based on our independent research, it is expected that the Project will be the last large-scale residential development project in Carmel Valley, which is principally attributable to there is lack of available land for such large-scale residential development in the vicinity of the Project while all being developing or developed. An independent research has been performed regarding available land sales in Carmel Valley, we noted that there are only small-scale lands are listing for sale and those are widespread in the region, which is not likely to be gathered and developed as a community.

The Project will be divided into two phases and the Target Company is in the process of obtaining the Phase 1 Final Map Approval which is expected to be obtained in late 2020 or early 2021. Upon having the Phase 1 Final Map Approval, the Target Company can apply for a State approval to presell the 36 residential lots under phase 1 for which the proceeds from the pre-sale and the Subscription will become the major source of funding for the development of the Project. The Target Company will consider the construction loan from banks if and when necessary. The 36 lots under phase 1 are expected to be offered for pre-sale in 2021 and the 37 lots under phase 2 are expected to be offered for pre-sale in 2023. The construction of Project is expected to be completed by 2025 and the sale process of the Project is expected to be completed by 2025 at which profits will be distributed to the members of the Target Company. The Target Company may distribute intermediate proceeds depending on the sales processes of the Project and financial status of the Target Company. Based on the current estimation and cashflow projection, the Subscriber is not required to make further capital injection for the development of the Project.

1.4 Industry overview

As it is noted that the Project are located within California, the US, we have performed an independent research on the latest statistics of the related property markets.

(i) The US' property market

According to the latest Housing Price Index (HPI) Quarterly Report released by Federal Housing Finance Agency on 25 August 2020,[1] US house prices rose 5.4% from the second quarter of 2019 to the second quarter of 2020 and increased 0.73% from the first quarter of 2020 to the second quarter 2020, despite the impacts of COVID-19. US house prices have risen for 36 consecutive quarters, or since September 2011.

With reference to the public information provided by Redfin Corporation,[2] a technology-powered residential real estate company (NASDAQ: RDFN), the median US home price in July was US$323,807, which representing an increase with 8.2% year-over-year. The direction and pace at which home prices are changing are indicators of the strength of the housing market and whether homes are becoming more or less affordable. At the same time, the number of homes sold rose 7.6% and the number of homes for sale fell 33.7% year-over-year. In July 2020, there were approximately 1,115,611 residential homes for sale in the US, which decreased 33.7% by comparing to July 2019. The changes indicate homes were being sold faster than sellers are listing them. Furthermore, there were approximately 29.6% of homes that sold above list price, whilst 25.3% of that recorded in July 2019. The growing percentage of homes selling above list price indicates that the US housing market is competitive and bidding wars are becoming more common.

With reference to the latest Home Price Index ("**CoreLogic HPI**") for July released by CoreLogic, Inc.,[3] a leading global provider of property information, insight, analytics and data-enabled solutions (NYSE: CLGX), US home prices increased by 5.5% in July 2020, compared with July 2019. Month over month, home prices increased 1.2%, compared with June 2020. CoreLogic HPI forecast predicts home prices will increase on a month-over-month basis by 0.1% from July 2020 to August 2020, and increase 0.6% on a year-over-year basis from July 2020 to July 2021. On an aggregated level, the housing economy remains rock solid despite the shock and awe of the pandemic. A long period of record-low mortgage rates has opened the flood gates for a refinancing boom that is likely to last for several years. In addition, after a momentary COVID-19-induced blip, purchase demand has picked up, driven by low rates and enthusiastic millennial and investor buyers. Spurred on by strong

1 Please refer to https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2020Q2_HPI.pdf
2 Please refer to https://www.redfin.com/us-housing-market#overview
3 Please refer to https://www.corelogic.com/insights-download/home-price-index.aspx

demand and record-low mortgage rates, it is expected to see more home building in 2021 and beyond, which should help support a healthy housing market for years to come.

(ii) The property market in California

According to the latest California housing market update on 30 July 2020 provided by California Association of Realtors (C.A.R.),[4] a state-wide trade association dedicated to the advancement of professionalism in real estate, the overall housing market in California is in an upward trend with respect to the raising house prices and tightening housing supplies. The median housing price in California as of June 2020 was US$626,170, which increased 2.5% from June 2019. The existing home sales as of June 2020 was decreased 12.8% from June 2019, such decrease indicates there were tighten housing supplies in the market and hence price is expected to rise. The continuing lack of housing supply is holding up the recovery and could create even higher price inflation.

With reference to the latest CoreLogic HPI for July 2020, large cities in California continue to experience price increases in July, with San Diego at 5.2%, Los Angeles at 4.7% and San Francisco at 0.6% on a year-over-year basis.

With reference to the housing market forecast in California released on 18 August 2020 by ManageCasa Inc,[5] a leading intuitive, interactive and automated property management software provider, there is a bigger trend to buying luxury homes with more space, away from dense urban areas is also taking hold across the country and in California. Furthermore, low mortgage rates makes buying luxury homes a more viable possibility for buyers and investors. The forecast indicates a positive outlook in housing market in California.

(iii) The property market in Carmel Valley

With reference to the Zillow Home Value Index ("**Zillow HVI**") in Carmel-by-the-Sea* as of August 2020 provided by Zillow, Inc. ("**Zillow**"),[6] an American online real estate database company (NASDAQ: Z), the Carmel-by-the-Sea home values increased by approximately 5.2% in August 2020, compared on a year-over-year basis from August 2019 to July 2020. During the past five years, the Carmel-by-the-Sea home values increased by the five years annualized rate of approximately 5.0%. The typical value for homes within the 65th to 95th percentile range for Carmel-by-the-Sea, the top tier Zillow HVI, in March 2020 increased by approximately 0.6% on a quarter over quarter basis and by approximately 4.6% on a year-over-year basis.

* Refer to the region demarcated by Zillow, the Project location is incorporated into Carmel-by-the-Sea region and thus, statistics of Carmel-by-the-Sea is adopted instead of that of Carmel Valley.

4 Please refer to https://car.sharefile.com/share/view/s2a8899fc081428a8
5 Please refer to https://managecasa.com/articles/california-housing-market-report/
6 Please refer to https://www.zillow.com/carmel-by-the-sea-ca/home-values/

1.5 Reasons for the Subscription

As disclosed in the Letter from the Board, the Group is actively expanding its investment portfolio in order to strengthen its brand recognition and market exposure, as well as to produce additional and stable income streams to diversify risks and to increase Shareholders' return. The Board is endeavour to diversify the investment portfolio of the Group through different types of investments and mitigate the market risks of the Group's investments. The Subscription represents the first real estate investment of the Group. Notwithstanding with the fact that the Subscription Interest bares no management rights or control on the Target Company, having considered that the Group has been expanding its investment portfolio, the Board is of the view that the being as a passive financial investor in the Target Company, the Group will be able to enjoy the future potential profit through distribution to be made by the Target Company. In light of the Subscription represents the first real estate investment of the Group and the Group is endeavour to expand its investment portfolio, we are of the view that the Group to subscribe for 27.06% Class B Membership Interest of the Target Company as a passive investor is reasonable and it is a favourable opportunity for the Group to enter into and realise the potential growth from the real estate investment. The Group is capable to enjoy the potential profit from the Target Company so as to accomplish the target of expanding its investment portfolio, as well as the consideration of the Subscription will not have a material adverse impact on the financial position of the Group. Given that the Project and the Target Company are principally operating in California where the time difference between Hong Kong and California is 15 hours, it is laborious for the management of the Group to make a prompt decision regarding the operations of the Target Company. Whilst the Group to subscribe for Class B Membership Interest of the Target Company, which shall not participate in the management and other decision-making relating to the business and affairs of the Target Company, the Group would not take management rights or control on the Target Company as a passive investor. Accordingly, we are of the view that the potential effect due to time difference is minimized, whereas the Group is able to expand its investment portfolio as well as enjoy the potential profit from the Target Company, and the Subscription is in the interests of the Company and the Shareholders as a whole.

Based on the current projection taking into account the respective key assumptions which includes: (i) the project development timeline of completing the sales of all lots in 2025; (ii) the estimated average selling price per lot based on the pricing analysis provided by an independent real estate advisory firm and the cost estimate based on the engineer's bond estimate provided by a civil engineering firm; and (iii) the expected profit distribution upon the completion of the Project in 2025, it is expected that the Subscription would yield an internal rate of return ("**IRR**") of approximately 40.1%. We have obtained and reviewed the assumptions and calculation on IRR provided by the management of the Group. Based on our discussion with the management of the Group, we understand that the estimation of IRR was arrived after considering the assumptions that there is no further interest dilution in the Target Company such that no dilution in the expected profit distribution, and no significant delay in project timeline of commencing pre-sales in 2021 and completing sales of all lots in 2025, as well as taking into account the construction cost estimated on the basis of the engineer's bond estimate provided by a civil engineering firm and loan repayment schedule. We further understand that the IRR is calculated based on (i) the estimated average selling price per lot multiplying the percentage increase in sales price, (ii) the estimated construction cost, (iii) the total investment amount, and (iv) the investment horizon. We have performed an independent research on the property market in Carmel Valley as revealed in the sub-section above headed "Industry overview", including but not limited to the average selling price and percentage increase in sales price in the vicinity of the Project. We noted that (i) the pricing analysis, the basis of the estimated average selling price, is prepared by an independent real estate advisory firm who provides real estate development market research and pricing analysis services in the US; (ii) the adopted average selling price is in line with the market as well as our independent research findings; (iii) the estimated percentage increase in sales price is based on the market trend, which is more prudent than the rate as revealed in our independent research presented in the sub-section headed "Industry overview" of this letter of advice; (iv) the estimated construction cost is based on the engineer's bond estimate provided by an experienced civil engineering firm, who has over 40 years of experience in civil engineering, land surveying and land development engineering; and (v) the investment horizon is based on the project development timeline of completing the sales of all lots in 2025, assuming that the distribution of the proceeds will only occur in the year of completing sales of all lots in 2025 and no intermediate proceeds will be distributed during the sales process. We are of the view that the assumptions and calculation on IRR are reasonable and relatively prudent, and hence the IRR estimation of 40.1% is justifiable. The Board believes and we concur that the Subscription will represent an attractive investment opportunity to the Group through the return generated by the residential project held by the Target Company and that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable to the Group and are in the interests of the Company and the Shareholders as a whole.

Through our discussion with the management of the Group and pursuant to the 2020 Annual Report, we noted that the Group's business in sales of apparel products with the provision of supply chain management total solutions to customers has been hit by challenges globally including the COVID-19 resulting in substantial bankruptcies of retailers worldwide as well as increased tensions in international trade relations. There has been a decline in revenue and gross profit across the industry. The financial performance of the Group has been affected by a rise in production costs coupled with uncertainty in relation to trade tariffs from the US and the United Kingdom. In view of the business environment remain challenging in the coming year due to the subsequent knock-on effects of COVID-19 outbreak, global economic uncertainty and international conflict, the Group continues to identify business partners and other investment opportunities in respect of the financial services business to expand its investment portfolio and valuable assets, with an aim to drive sustainable growth of the Group. Hence, the Directors considered and we concur with the Directors that the entering into the Subscription Agreement would ensure diversification of revenue for the interest of the Company and its Shareholders as a whole.

Having considered that (i) the possible positive outlook of the property markets in Carmel Valley, California and in the US as revealed by our independent research presented in the sub-section headed "Industry overview" of this letter of advice; (ii) the Group had sufficient financial resources to settle the First Tranche Consideration in cash of US$1,500,000 (equivalent to approximately HK$11,700,000) (our review of which is detailed in the sub-section below headed "The current financial position of the Group" of this letter of advice); (iii) the Second Tranche Consideration will be settled by way of issue of the Promissory Note bearing no interests, which would enable the Group to retain its cash resources for general working capital and provide greater flexibility for the financial position of the Group; (iv) the consideration was arrived at after arm's length negotiations between the Target Company and the Company with reference to the adjusted net asset value of the Target Company (the "**Adjusted NAV**") and post-money adjusted net asset value (the "**post-money Adjusted NAV**") based on the unaudited financial statement of the Target Company as at 30 June 2020 (our review of which is detailed in the sub-section below headed "The Adjusted NAV and post-money Adjusted NAV" of this letter of advice); and (v) the valuation on the Property as at 31 August 2020 (the "**Property Valuation**") prepared by the Independent Valuer, of approximately US$30,000,000 (equivalent to approximately HK$234,000,000) (our review of which is detailed in the sub-section below headed "The Property Valuation" of this letter of advice), we concur with the Directors that the Subscription is commercially justifiable and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement

On 21 August 2020, the Subscriber and the Target Company entered into the Subscription Agreement, pursuant to which the Target Company has conditionally agreed to issue and allot to the Subscriber, and Subscriber has conditionally agreed to subscribe for, 27.06% Class B Membership Interest of Target Company as enlarged by the Subscription at the consideration of US$5,000,000 (equivalent to approximately HK$39,000,000), which represents a post-money enterprise value of the Target Company of approximately US$35,000,000 (equivalent to approximately HK$273,000,000). The Consideration shall be settled in cash at First Tranche Completion and by way of issue of the Promissory Note bearing no interests and repayable at Second Tranche Completion.

2.1 The consideration

As confirmed by the Directors, the consideration of the Subscription, represents a post-money enterprise value of the Target Company of approximately US$35,000,000 (equivalent to approximately HK$273,000,000), was determined with reference to, among other factors, (i) the factors stated in the section headed "Reasons for and Benefits of the Subscription" set out in Letter from the Board; (ii) the current financial position of the Group; (iii) the preliminary pre-money valuation on the enterprise value of the Target Company as at 30 June 2020 as appraised by the Independent Valuer by using asset-based approach of no less than approximately US$30,000,000 (equivalent to approximately HK$234,000,000), and the Property Valuation as appraised by the Independent Valuer by using market approach of approximately US$30,000,000 (equivalent to approximately HK$234,000,000), and was negotiated on an arm's length basis between the Company and the Target Company.

(i) The current financial position of the Group

Pursuant to the 2020 Annual Report, as at 31 March 2020, the current assets and current liabilities of the Group amounted to approximately HK$181.4 million and approximately HK$45.6 million respectively, resulting net current assets of approximately HK$135.8 million. The cash and cash equivalents of the Group was approximately HK$50.7 million as at 31 March 2020.

As extracted from the Letter from the Board, the First Tranche Consideration will be financed by internal resources of the Group and/or its external financing. In view of the cash and cash equivalents of the Group of approximately HK$50.7 million as at 31 March 2020 and the cash position as at 31 August 2020, the Group is able to continue its operations and business plans using its internally generated capital as well as its external sources of financing. As such, the Group is able to continue to pursue its business plans without incurring additional costs.

In addition, we have obtained and reviewed the working capital requirements provided by the management of the Group for the twelve months from October 2020 to September 2021. With the projection of (i) the operation needs of the Group for the next twelve months; and (ii) the cash and cash equivalents of the Group, and other available resources, we noted that the Group is expected to maintain a positive cash position for the next twelve months as from October 2020.

Taking into account the current financial position of the Group, in particular (i) the net current assets position of the Group as at 31 March 2020; (ii) the current liquidity and cash position of the Group as compared with the consideration of US$5,000,000 (equivalent to approximately HK$39,000,000); and (iii) the expected working capital requirement of the Group, we concur with the management of the Group that the Subscription will not have an adverse impact on the financial position of the Group. As such, the Directors consider and we concur that the Subscription is in the interests of the Company and its Shareholders as a whole.

(ii) The Property Valuation

We have reviewed the Property Valuation Report, sent out an information request list and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the

Property Valuation. The Independent Valuer have adopted the market approach as the principal valuation methodology. As confirmed by the Independent Valuer, this approach is universally considered as an accepted valuation approach for valuing most forms of property and is consistent with normal market practice. We have reviewed the market comparable transactions adopted by the Independent Valuer and discussed with the Independent Valuer regarding the reasons for adoption of those market comparable transactions and the calculations to arrive at the Property Valuation.

As advised by the Independent Valuer, they have identified market comparable transactions that are considered relevant to the Property in terms of physical and locational attributes, and were transacted as recent as possible. They have also made adjustments to the applicable parameters deduced from those market comparable transactions in consideration of location, size, topography and infrastructures of imperfect comparability. After obtaining and studying the background information of the market comparable transactions adopted by the Independent Valuer, we have performed an independent research on the historical land sales record in the vicinity of the Project as well as the market comparable adopted by the Independent Valuer. We noted the adopted market comparable are recency and imperfect comparable to the Project, in terms of size and location. Based on our discussion with the Independent Valuer regarding the comparable and the adjustments, we understand that appropriate adjustments and analysis are considered to the differences in several aspects including location, size, topography and other characteristics between the comparable properties and the Project to arrive at its assumed unit rate. As advised by the Independent Valuer, the general basis of adjustment is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. As regards the location adjustment, we noted that the Project is situated in a favourable location and surrounded by developed facilities, namely about 15 km from the airport and about 12 km from golf course, whilst the comparable are about 6 km to 24 km from the airport and about 14 km to 21 km from golf course. As regards the size adjustment, we noted the comparable have been proportionally adjusted. As regards the topography adjustment, we noted the landform of the Project and the comparable are similar with the same sloped land level. As regards the infrastructure adjustments, as advised by the Independent Valuer, the estimation of development cost, including but not limited to construction cost, administrative and general cost and legal cost, which are in line with the industry norm. In light of (i) the superior location, (ii) proportionally adjusted site area, (iii) similar topography, and (iv) adjustments being in line with the industry norm, we consider that the adjustments are justifiable and the selection of the comparable transactions is appropriate. As such, we concur with the Independent Valuer that the adopted market comparable transactions are similar to the Property in terms of location, size and recency, and hence the market comparable transactions are fair and representative samples.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Property Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Property Valuation. From the mandate letter and other relevant information provided by the Independent Valuer and based on our interview with them, we have reviewed the scope of work of the Independent Valuer detailed in its mandate letter and we are satisfied that the scope of work is sufficient and appropriate for the Subscription as well as the terms of engagement of the Independent Valuer. We have also reviewed the Independent Valuer's qualification and experience in relation to the preparation of the Property Valuation Report and noted that the Independent Valuer is a well-established professional services firm. In particular, the principal signing off the Property Valuation Report is a Chartered Surveyor who has over 23 years' experience in the valuation of properties in Hong Kong, Mainland China, the US and other countries around the world. Accordingly, we are satisfied with their qualification and experience for preparation of the Property Valuation Report. The Independent Valuer has also confirmed that they are independent to the Company, the Subscriber, the Target Company and their associates.

Details of the basis and assumptions of the Property Valuation are included in the valuation report of the Property as contained in Appendix I to the Circular. We noted that the valuation of the Property has been undertaken on the basis of market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" in accordance with the HKIS Valuation Standards. We also noted that the Independent Valuer relied on the information provided by the Group, in respect of the titles of the property interests in the US, and made assumptions in regard to the Property. During our discussion with the Independent Valuer regarding the basis and assumptions of the Property Valuation, amongst others, (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests; (ii) no allowance have been made for any charge, mortgage or amount owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale; (iii) the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property (unless otherwise stated); and (iv) the owner has free and uninterrupted rights to use the property as the property is held under freehold interests. The Independent Valuer advised that the above are the assumptions generally adopted in property valuations. In such regard, we have conducted an independent research and noted that the above assumptions have been commonly adopted in the valuations of assets including properties of other listed companies in Hong Kong. Further, based on our review of the Title

Report and the relevant title documents of the Property as well as the corporate documents of Target Company, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Property Valuation, and we are of the view that the valuation basis and assumptions are fair and reasonable. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Property Valuation may or may not reflect the true market values of the Property as at 31 August 2020 accurately.

As disclosed in the Property Valuation Report, we noted that the Independent Valuer has adopted the market approach as the principal methodology in arriving at the market value of the Property due to sufficient relevant sale comparable are available in the market. Based on our interview with the Independent Valuer, we understand that the Independent Valuer has also considered the other two generally accepted valuation approaches, namely the income approach and the cost approach. We understand from the Independent Valuer that (i) the adoption of the income approach is relatively appropriate for income generating properties while the Property comprises greenfield land which does not have any current income generating potential; (ii) the adoption of the cost approach is not appropriate as it is only suitable for valuing properties without any available sale or rental transactions in the prevailing market; and (iii) market approach is considered as the best approach when relevant sale comparable are available in the subject market. We have (i) obtained and reviewed the inspection photo provided by the Independent Valuer and we acknowledge the attributes of the Property which comprises greenfield land; and (ii) performed an independent research on the historical land sales record in the relevant market and we acknowledge the sufficiency of market comparable, and hence we concur with the Independent Valuer that income approach and cost approach are not appropriate while the market approach is considered as the most appropriate approach for valuing the market value of the Property.

Having taken into account the above, we concur with the Independent Valuer that the market approach is commonly used and we are of the view that the methodology chosen by the Independent Valuer are adequate, appropriate and relevant for deriving the appraised market value of the Property and providing a fair and reasonable basis for the Independent Valuer's opinion.

(iii) The Adjusted NAV and post-money Adjusted NAV

The following table illustrate the calculation of the Adjusted NAV and the post-money Adjusted NAV based on the unaudited financial statement of the Target Company as at 30 June 2020 and the Enterprise Valuation Report as set out in Appendix II to the Circular.

	US$' million	**Equivalent to approximately** *HK$' million (Note 1)*
Consideration	5.00	39.00
Non-current assets	30.00	234.00
— market value of the Property as at 30 June 2020 *(Note 2)*		
Current assets	1.25	9.75
Total assets	31.25	243.75
Not-current liabilities	12.00	93.60
Current liabilities	5.57	43.45
Total liabilities	17.57	137.05
Adjusted NAV	13.68	106.70
Post-money Adjusted NAV	18.68	145.70
Subscription Interest	27.06%	27.06%
Post-money subscription value *(Note 3)*	5.05	39.39

Notes:

1. Conversions of US$ into HK$ are based on the exchange rate of US$1 to HK$7.8.

2. Based on the Enterprise Valuation Report as set out in Appendix II to the Circular, the market value of the Property was appraised to approximately US$30,000,000 as at 30 June 2020.

3. The post-money subscription value, which multiplying the post-money Adjusted NAV by the Subscription Interest of 27.06% of Class B Membership Interest of the Target Company as enlarged by the Subscription, was approximately US$5.05 million.

The Target Company's assets mainly comprise of the Property, as depicted by the above table, the Adjusted NAV of the Target Company is approximately US$13.68 million, which mainly adjusted by the appraised market value of the Property as at 30 June 2020, which was approximately valued at US$30,000,000 based on the Enterprise Valuation Report as set out in Appendix II to the Circular. The post-money Adjusted NAV as enlarged by the Subscription will be approximately US$18.68 million. The post-money subscription value, which multiplying the post-money Adjusted NAV by the Subscription Interest of 27.06% of Class B Membership Interest of the Target Company as enlarged by the Subscription, was approximately US$5.05 million.

As set out in the Letter from the Board, the consideration for the Subscription was determined after arm's length negotiation between the parties taking into account the valuation of the Property of approximately US$30,000,000 as of 30 June 2020 as appraised by the Independent Valuer. Furthermore, the consideration for the Subscription is less than the post-money subscription value using the Adjusted NAV and post-money Adjusted NAV (the calculation of which is set out above). On this basis, we are of the view that the consideration of the Subscription is fair and reasonable and is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

2.2 Assessment of the principal terms of the Promissory Note

Pursuant to the Subscription Agreement, the consideration for the subscription of the Second Tranche Subscription Interest of US$3,500,000 (equivalent to approximately HK$27,300,000) shall be settled at Second Tranche Completion by way of issue of the Promissory Note bearing no interests and repayable on the date falling one (1) year after the date of issue by the Subscriber to the Target Company.

To assess the fairness and reasonableness of the principal terms of the Promissory Note, we have conducted a research on the website of the Stock Exchange on comparable transactions which involved the issue of promissory notes for acquisitions during the review period of approximately twelve months immediately prior to the date of the Subscription Agreement ("**Review Period**"), and has not been terminated as at the date of the Subscription Agreement (the "**Comparable PN Issues**").

As the issue of promissory notes is less frequent than that of consideration shares or by way of cash for subscriptions and acquisitions, we consider the Review Period as adequate and appropriate in reflecting the general trend of the Comparable PN Issues. Shareholders should note that the businesses, operations and prospects of the Target Company may not be the same as, or even substantially vary from, that of the Comparable PN Issues. However, given that the Subscription and the Comparable PN Issues were conducted under similar market conditions and sentiments during the same twelve-month period, we are of the view that the Comparable PN Issues reflect the general market trend of the terms involved in issuing promissory notes as full or partial settlement for acquisitions and are meaningful and representative samples for assessing the fairness and reasonableness of the principal terms of the Promissory Note.

To the best of our knowledge, we have identified eight transactions which meet the said criteria and such list is exhaustive as far as we are aware. Set out below is our analysis on the Comparable PN Issue.

Date of Announcement	**Stock Code**	**Company Name**	**Term** *(years)*	**Interest rate per annum** *(%)*
27 September 2019	1323	Newtree Group Holdings Limited	1 year for part of promissory note; 2 years for part of promissory note; and 3 years for remaining part of promissory note	2
4 October 2019	8179	Food Idea Holdings Limited	2	5
8 November 2019	1372	Bisu Technology Group International Limited *(Note)*	Perpetual	10% from 4 February 2016 to 4 February 2018; 8% from 5 February 2018 to 4 February 2020; and 5% from 5 February 2020 onwards
31 December 2019	2227	Solis Holdings Limited	1	Not disclosed
21 February 2020	8391	Elegance Commercial and Financial Printing Group Limited	3	5

Date of Announcement	Stock Code	Company Name	Term *(years)*	Interest rate per annum *(%)*
11 June 2020	0430	Oriental Explorer Holdings Limited	1	0
7 July 2020	3344	GTI Holdings Limited	2	2
17 August 2020	8195	L & A International Holdings Limited	2	5
		Maximum	Perpetual	10
		Median	2	5
		Minimum	1	0
		Average	1.86	4.67
		Promissory Note	1	0

Source: the website of the Stock Exchange

Note: This announcement regards the amendments of the terms of the promissory notes.

(i) Interest rate

As illustrated by the above table, the interest rates of the Comparable PN Issues range from 0% to 10%, with an average of approximately 4.67% and a median of approximately 5%. The interest rate of 0% of the Promissory Note therefore falls within the range of the interest rates of the Comparable PN Issues.

(ii) Terms of maturity

As illustrated by the above table, the maturity period of the Comparable PN Issues ranges from 1 to perpetual, with an average maturity period of approximately 1.86 years and a median maturity period of approximately 2 years. The maturity period of 1 year of the Promissory Note therefore falls within the range of the maturity period of the Comparable PN Issues. We are also of the view that the discrepancy between the maturity period of 1 year of the Promissory Note and the average and median maturity period of the Comparable PN Issues of approximately 1.86 year and 2 years is reasonable, as three out of eight Comparable PN Issues have a certain maturity period equal to 1 year. In addition, we noted the maturity period is closely correlated with the interest rates amongst the eight Comparable PN Issues, which the longer maturity period the higher interest rate. Details as set out below:

Maturity period of Comparable PN Issues	**Average interest rate per annum of Comparable PN Issues** *(%)*
1 year	1.00
2 years	3.50
3 years or above	6.00

As depicted by the above table, the Comparable PN Issues with 1 year maturity period has an average interest rate of approximately 1.00%, whilst approximately 3.50% for 2 years maturity period and approximately 6.00% for 3 years maturity period. By comparison on the same level with the Comparable PN Issues of 1 year maturity period, the Promissory Note has lower interest rate than the average interest rate of 1.00%, which benefits the Group from diminishing finance costs. Further, as advised by the Company, the terms of Promissory Note were determined after arm's length and commercial negotiations between the Target Company and the Company after taking into consideration of (i) the working capital requirement of the Target Company; and (ii) market practice. Hence, the terms of Promissory Note were agreed to be 1 year maturity period and zero interest rate.

Having considered that the Promissory Note is (i) within the range of the maturity period of the Comparable PN Issues; (ii) lower interest rate than the average by comparing with the same maturity period of Comparable PN Issues; and (iii) the issue of Promissory Note would provide the Group with greater flexibility in preserving its cash resources for working capital needs prior to the maturity of the Promissory Note, we are of the view that the duration of the Promissory Note is fair and reasonable so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

Taking into consideration that the interest rate and the terms of maturity are in line with those arrangements of the Comparable PN Issues, we are of the view that the principal terms of the Promissory Note are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

3. Potential financial effect of the Subscription

3.1 Net asset value and gearing

According to the 2020 Annual Report, the audited consolidated net assets of the Group amounted to approximately HK$165.0 million as at 31 March 2020. Following the First Tranche Completion and Second Tranche Completion of the Subscription, the net asset value of the Group is expected to remain unchanged due to the increase in investment offsets the loss in cash and cash equivalent and Promissory Note payable.

According also to the 2020 Annual Report, the gearing ratio (calculated by dividing total debts by total equity as at the end of the reporting period) of the Group was approximately 27.9% as at 31 March 2020. Following the First Tranche Completion and Second Tranche Completion of the Subscription, the gearing ratio of the Group is expected to increase from 27.9% to approximately 44.5% due to the Promissory Note payable of approximately HK$27.3 million.

3.2 Liquidity

According to the 2020 Annual Report, the audited consolidated cash and cash equivalents of the Group as at 31 March 2020 amounted to approximately HK$50.7 million. Following the First Tranche Completion and Second Tranche Completion of the Subscription, the cash and cash equivalents of the Group is expected to decrease of approximately HK$11.7 million, representing approximately 23.1% of the cash and cash equivalents of the Group as at 31 March 2020. Based on the existing available cash and the operating cash to be generated by the Group in the near future, the Director consider that the Subscription will have no material adverse impact on the liquidity of the Group.

It should be noted that the above analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Ringo Hui
Group General Manager

Mr. Ringo Hui is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of VBG Capital Limited to carry out Type 1 and Type 6 regulated activities under the SFO and has over 13 years of experience in corporate finance industry.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be acquired by the Group. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong

The Board of Directors
DL Holdings Group Limited
29/F, Vertical Square,
No. 28 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

20 November 2020

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in the United States of America (the "**US**") to be acquired by DL Holdings Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 31 August 2020 (the "**Valuation Date**").

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

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

VALUATION ASSUMPTIONS

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

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property is held under freehold interests, which is not subject to any specified terms of tenure, we have assumed that the owner has free and uninterrupted rights to use the property.

VALUATION METHODOLOGY

When valuing the property interests to be acquired by the Group, we have adopted Market Approach.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location, size, topography and so on.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter and the valuation certificate.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group, in respect of the titles of the property interests in the US. We have also accepted advice given to us on matters such as identification of the property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The property was inspected on 8 August 2020. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the property and are therefore unable to report on their present conditions. We have not undertaken any environmental surveys of the property but we have seen no evidence of environmental concerns such as contamination or other hazards during the inspection. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar ("**US$**").

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited

Vincent Cheung
BSc(Hons) MBA FRICS MHKIS RPS(GP)
MCIREA MHKSI MISCM MHIREA
Registered Real Estate Appraiser & Agent PRC
Managing Director

Note: Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("**Hong Kong**"), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in Hong Kong, Mainland China, the US and other countries around the world.

VALUATION CERTIFICATE

Property Interests for Future Development in the US

Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 August 2020
A Site Located at Carmel Valley Road, Carmel Valley, Monterey County, California, the US	The property comprises four land parcels located along the northern side of Carmel Valley Road. As per the approved Vesting Tentative Map, the property is proposed to be subdivided into 95 residential lots, which consists of 73 market-rate residential lots and 22 affordable housing lots. As per approved Vesting Tentative Map, the property has a total site area of approximately 891 acres. The property is held under freehold interests.	As per our on-site inspection and the information provided by the Group, an equestrian facility is currently erected on one of the four land parcels of the property, and the remaining areas of the property are vacant.	US$30,000,000 (United States Dollars Thirty Million) 27.06% Interest to be Attributable to the Group After Transaction: US$8,118,000 (United States Dollars Eight Million One Hundred and Eighteen Thousand)

Notes:

1. The property was inspected by Tyler Dobson *MAI ASA MCR MRICS CRE* on 8 August 2020.

2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Steve Kerhart *MAI ASA MCR MRICS CPA CCIM*.

3. Pursuant to a preliminary title report, dated 23 May 2018 and issued by Chicago Title Insurance Company, the property is held under freehold interests and the ownership of the property is vested in Carmel Reserve LLC.

4. Pursuant to a Vesting Tentative Map approved in November 2010, the property with a total site area of approximately 891 acres was proposed to be subdivided into 95 residential lots, which consists of 73 market-rate residential lots and 22 affordable housing lots. The details of the site under the approved Vesting Tentative Map are summarized below:

Item	**Area** *(acre)*
Parcel A	297.3
Parcel B	6.9
Parcel C	3.2
Parcel D	242.9
Parcel E (Equestrian Centre)	20.2
Residential Lots 1–73	
— Development Envelopes	42.9
— Easement Areas	23.9
— Private Open Space	250.7
Affordable/Inclusionary Lots 1–22	3.1

5. The property falls within an area zoned as LDR/2.5-D-S-RAZ (Low Density Residential) and RDR/10-D-S-RAZ (Rural Density Residential).

6. The general description and market information of the property are summarized below:

Location	:	The property is located at Carmel Valley Road, Carmel Valley, Monterey County, California, the US.
Transportation	:	Monterey Regional Airport and Salinas Railway Station are located approximately 15.2 kilometres and 37.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a rural area in Carmel Valley.

7. In the course of our valuation of the market-rate portion of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. Due adjustments in terms of different attributes, including location, size, topography, infrastructures, etc., have been made to the adopted comparables. The adjusted unit rates of the seven adopted comparables are ranging from US$325,740 to US$575,207 per lot with a mean of US$425,083 per lot and a median of US$402,255 per lot. The adopted unit rate for the property is circa US$410,000 per lot. As at the Valuation Date, the affordable housing portion of the property have not been granted with a relevant alienation approval and therefore we have allocated no commercial value to it.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the Target Company. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong

VINCORN
vincorn consulting & appraisal | 泓亮咨询及评估

20 November 2020

The Board of Directors
DL Holdings Group Limited
29/F Vertical Square,
No. 28 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

Dear Sirs,

Valuation of 100% Enterprise Value in Carmel Reserve LLC

INSTRUCTIONS

In accordance with the instructions from DL Holdings Group Limited (the "**Company**"), we have undertaken a valuation assignment to express an independent opinion on the market value of 100% enterprise value (the "**Enterprise Value**") in Carmel Reserve LLC (the "**Target Company**") as at 30 June 2020 (the "**Valuation Date**"). Our valuation work was performed subject to the assumptions and limiting conditions described in this report.

This report outlines the purpose of valuation, premise of value and sources of information; identifies the business appraised; describes the valuation methodology, assumptions and limiting conditions; and presents our investigation, analysis and our opinion of value.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of the Enterprise Value of the Target Company as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose in relation to the Enterprise Value of the Target Company.

We understand that our valuation report may be included in the Company's circular and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

Vincorn Consulting and Appraisal Limited ("**Vincorn**") assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

PREMISE OF VALUE

Our valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards effective from 31 January 2020 published by the International Valuation Standards Council, where applicable.

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

OVERVIEW OF THE COMPANY AND THE TARGET COMPANY

DL Holdings Group Limited

DL Holdings Group Limited was incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1709). The principal activity of the Company is investment holding and the principal activities of its subsidiaries are engaged in the sales of apparel products with the provision of supply chain management total solutions to customers and provision of financial services. Following the completion of the acquisition of DL Securities and DA Finance in November 2019, the Company and its subsidiaries commenced its financial services business by conducting licensed business and money lending services.

Carmel Reserve LLC

Carmel Reserve LLC was incorporated in the State of Delaware on 29 November 2017 and the registered office is located in San Jose, California. The Target Company is indirectly wholly-owned by DLC Capital Partners I, L.P., a fund for which the general partner is ultimately controlled by Ms. Jiang, the Chairman and executive director and Mr. Chen, the executive director and chief executive officer of the Company. The Target Company is primarily engaged to invest and construct the Carmel real estate project.

The Property Located at Carmel Valley

The core asset of the Target Company mainly comprises a development site located at No. 676 Carmel Valley Road, Carmel Valley, Monterey County, California, United States of America ("**USA**"). The subject consists of 891-acres approved with a tentative map for the subdivision into 73 market-rate residential lots and 22 affordable housing lots (15 inclusionary and 7 deed-restricted workforce housing lots) for a total of 95 residential lots in two phases. According to the draft final map, the site is currently improved with a 19.84-acre equestrian facility and accessory structures related to that use. The total land associated with the residential development in Phase 1 is 138.04-acres. The remaining 752.35-acres will consist 377.69-acres of open space, 4.47-acres for inclusionary/affordable housing, 0.46-acres for a well site and 349.89-acres for Phase 2.

SCOPE OF SERVICES

This engagement involved an analysis of Carmel Reserve LLC as at the Valuation Date. In undertaking this valuation assignment, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the management of the Company and/or the Target Company or their representatives (hereinafter referred to as the "**Management**"):

- Conducted meeting(s) and/or discussion with the Management;
- Obtained the relevant financial and operational information related to the Target Company and its business;
- Performed market research and obtained statistical data from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to the subject matter, which were provided by the Management;
- Conducted valuation of the subject matter using the respective standards of value that are most appropriate;
- Documented the result of our findings in this valuation report.

SOURCES OF INFORMATION

In conducting our valuation of the Enterprise Value, we have considered, reviewed and relied upon the following key information provided by the Management and the public.

- The nature, background and development of the Target Company and relevant information;
- Background information of the property held by the Target Company;
- The unaudited management accounts of the Target Company as at 30 June 2020; and
- Bloomberg database and other reliable sources of market data.

We have held discussion with the Management and conducted research from public sources to assess the reasonableness and fairness of the information provided. We have no reason to doubt the truth and accuracy of the information provided to us by the Management, and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

VALUATION METHODOLOGIES

There are three generally accepted approaches to assess the market value of the Enterprise Value, namely the market approach, the asset-based approach, and the income approach. Each of these approaches is appropriate in one or more circumstances.

Market Approach

Market Approach values an asset based on comparison with recent sales of similar assets from market transactions, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to the market comparables. Although this approach is widely used, the main difficulty with this approach lies with the lack of financial information and full details regarding sales of similar assets.

The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently. The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

Asset-based Approach

The Asset-based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

Income Approach

Income Approach values an asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the assets life. This approach estimates the future economic benefits and discounts these benefits to its present value using an appropriate discount rate for all risks associated with realizing those benefits.

Selection of Valuation Methodology

Among the three approaches, we consider that asset-based approach is more appropriate for valuing the Enterprise Value.

While useful for certain purposes, the Market Approach was not adopted in this case because there was not any comparable transaction that involves a business entity with similar business nature to the Target Company. The Income Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made.

We have therefore considered and accepted the Asset-based Approach to estimate the market value of the Enterprise Value. In accordance with the International Valuation Standards effective from 31 January 2020, the asset-based approach can be applied in the case of early stage or start-up businesses where profits and/or cash flow cannot be reliably determined and adequate market information is available on the entity's assets. In this valuation, the core asset of the Target Company mainly comprises a development site located at No. 676 Carmel Valley Road, Carmel Valley, Monterey County, California, USA. This fulfils the requirements of the International Valuation Standards effective from 31 January 2020 to apply the asset-based approach. Furthermore, without forecasting the long-term operational result, the sum of the market value of the assets net of liabilities adjusted for the debt and cash items was a fair representative presentation of the market value of the Enterprise Value. In this valuation, the market value of the property was based on the endorsed opinion of a qualified appraiser.

VALUATION ASSUMPTIONS AND RATIONALE

General assumptions

In determining the market value of the Enterprise Value, a number of general valuation assumptions have to be established. The general assumptions adopted in this valuation included:

- There will be no material change in the existing political, legal, technological, fiscal, foreign trade and economic conditions in localities where the Target Company operates or intend to operate;

- The industry trends and market conditions in which the business is being operated and which are material to revenue and costs of businesses will have no material change;

- There will be no material change in the current taxation laws in the localities in which the Target Company operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operate or intend to operate would be officially obtained and renewable upon expiry;
- The Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of its business;
- We have assumed that there are no hidden or unexpected conditions associated with the Target Company that might adversely affect the reported value.

ASSET-BASED APPROACH

The asset-based approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets. In this valuation, adjusted net asset value method is adopted.

Details of the statement of financial position of the Target Company as at 30 June 2020 were as follows:

Assets/(Liabilities)	**Book Value[1]**	**Market value Adjustments**	**Market value**
	(USD)	*(USD)*	*(USD)*
Non-Current Assets			
Property[2]	19,953,893	10,046,107	30,000,000
Total Non-current assets	19,953,893	10,046,107	30,000,000
Current Assets			
Cash and bank balance	926,563	—	926,563
Prepayment and other receivables	91,478	—	91,478
Amount due from group companies	234,876	—	234,876
Total current assets	1,252,917	—	1,252,917
Total Assets	21,206,810	10,046,107	31,252,917

Assets/(Liabilities)	Book Value[1] (USD)	Market value Adjustments (USD)	Market value (USD)
Non-Current Liabilities			
Loan payables	12,000,000	—	12,000,000
Total Non-current liabilities	12,000,000	—	12,000,000
Current Liabilities			
Loan payables	5,380,701	—	5,310,701
Interest and other payables	219,411	—	219,411
Amount due to group companies	(29,962)	—	(29,962)
Total current liabilities	5,570,150	—	5,570,150
Total Liabilities	17,570,150	—	17,570,150
Adjusted Net Asset Value			13,682,767
Add: Debt			17,600,112
Less: Cash			(926,563)
Market Value of 100% Enterprise Value			30,356,316
Market Value of 100% Enterprise Value (rounded)		**USD**	**30,000,000**

* *Numbers may not add up due to rounding.*

Note:

1 The book values of the assets and liabilities of the Target Company were sourced from the unaudited accounts of the Target Company as at 30 June 2020, which were prepared by the Management.

2 The market value adjustment regarding the property is with reference to a separate property valuation report as at 30 June 2020 prepared by Vincorn.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in United States Dollars (USD).

LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management of the Sale Assets over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

CONCLUSION OF VALUE

In our opinion, on the basis of the information made available to us, the market value of 100% Enterprise Value in Carmel Reserve LLC as of 30 June 2020 is reasonably estimated at:

USD30,000,000

(UNITED STATES DOLLARS THIRTY MILLION)

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Vincorn. You are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,
for and on behalf of
Vincorn Consulting and Appraisal Limited

Freddie Chan	**Vincent Cheung**
BBA-FIN (Hons)	*BSc(Hons) MBA FRICS MHKIS RPS(GP)*
CFA ACCA FRM MRICS	*MCIREA MHKSI MISCM MHIREA*
Executive Director	*Registered Real Estate Appraiser and Agent PRC*
	Managing Director

Notes:

Mr. Vincent K.C. Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("**Hong Kong**"), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in the subject region. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

Mr. Freddie W.T. Chan is a CFA®charterholder, an Association of Chartered Certified Accountants (ACCA®) charterholder and a FRM® charterholder who expertizes in corporate and intangible valuation sector. He has over 10 years of professional experiences in banking, finance, corporate advisory and valuation experiences. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries. Mr. Chan is a member of the Hong Kong Society of Financial Analysts as well.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	**Capacity/nature of interest**	**Number of Shares**	**Approximate percentage of interest in the Company** *(Note 1)*
Ms. Jiang Xinrong ("**Ms. Jiang**")	Interest of spouse	500,709,395 *(Note 2)*	36.73%
	Interest of controlled corporation	222,418,000 *(Note 3)*	16.32%
	Beneficial owner	10,115,000 *(Note 4)*	0.74%
Mr. Chen Ningdi ("**Mr. Chen**")	Interest of spouse	232,533,000 *(Note 3 & 4)*	17.06%
	Interest of controlled corporation	495,209,395 *(Note 2)*	36.33%
	Beneficial owner	5,500,000 *(Note 5)*	0.40%

Name of Director	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in the Company *(Note 1)*
Mr. Li Ren	Beneficial owner	118,892,000 *(Note 6)*	8.72%

Notes:

1. Based on the total number of issued Shares as at the Latest Practicable Date.

2. DA Wolf Investments I Limited ("**DA Wolf**") directly owned 495,209,395 Shares, representing approximately 36.33% of all issued Shares of the Company as at the Latest Practicable Date. Mr. Chen being the sole shareholder of DA Wolf was deemed to be interested in the 495,209,395 Shares held by DA Wolf. By virtue of the SFO, Ms. Jiang, being the spouse of Mr. Chen, was deemed to be interested in all Shares held by Mr. Chen.

3. Rapid Raise Investments Limited ("**Rapid Raise**"), a company wholly owned by DL Global Holdings Limited ("**DL Global**"), of which approximately 30% of the issued share capital was held by Mr. Chen and approximately 36.6% of the issued share capital was held by Ms. Jiang, directly held 222,418,000 Shares, representing approximately 16.32% of all issued Shares as at the Latest Practicable Date. Accordingly, Ms. Jiang was deemed to be interested in the 222,418,000 Shares held by Rapid Raise. 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.

4. These 10,115,000 Shares represented the Shares held by Ms. Jiang. 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.

5. These 5,500,000 Shares represented the Shares held by Mr. Chen. By virtue of the SFO, Ms. Jiang, being the spouse of Mr. Chen, was deemed to be interested in all Shares held by Mr. Chen.

6. These 118,892,000 Shares represented the Shares held by Mr. Li Ren.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	**Capacity/nature of interest**	**Number of Shares interested in or deemed to be interested**	**Approximate percentage of interest in the Company** *(Note 1)*
DA Wolf	Beneficial owner	495,209,395 *(Note 2)*	36.33%
DL Global	Interest of controlled corporation	222,418,000 *(Note 3)*	16.32%
Rapid Raise	Beneficial owner	222,418,000 *(Note 3)*	16.32%
CMF Global Quantitative Multi-Asset SPC — CMF FS Asia Equity Opportunity SP	Beneficial owner	97,997,000 *(Note 4)*	7.19%

Notes:

1. Based on the total number of issued Shares as at the Latest Practicable Date.

2. Please refer to note 2 to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares, and Debentures" in this appendix for details.

3. Please refer to note 3 to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares, and Debentures" in this appendix for details.

4. These 97,997,000 Shares represented the Shares beneficially owned by CMF Global Quantitative Multi-Asset SPC — CMF FS Asia Equity Opportunity SP.

Save as disclosed above, as at the Latest Practicable Date, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares, and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the date of this circular,

(a) save for the interests of Mr. Chen Ningdi and Ms. Jiang Xinrong in the Subscription as disclosed in the Letter from the Board, none of the other Directors was materially interested in any contract or arrangement subsisting at the date of this circular which was significant in relation to the business of the Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since the date of the latest published audited accounts of the Company.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which was considered to compete or was likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. EXPERTS AND CONSENT

The names and qualifications of the experts who have given opinion or advice which are contained or referred to in this Circular are as follows:

Name	Qualification
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Vincorn Consulting and Appraisal Limited	independent valuer

As at the Latest Practicable Date, each of the above experts (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

10. MISCELLANEOUS

In the event of inconsistency, the English text of this Circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. on any weekday except public holidays at the principal place of business of the Company in Hong Kong at Unit 2902, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong from the date of this Circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the valuation report of the Property and the valuation report of the Target Company issued by the Independent Valuer, the text of which is set out in Appendix I and Appendix II to this circular;

(f) the written consents referred to in the paragraph headed "Experts and consents" in this appendix;

(g) the Subscription Agreement; and

(h) this circular.

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)

(the "**Company**")

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the Company (the "**EGM**") of the shareholders of DL Holdings Group Limited (the "**Company**") will be held at Unit 2801, Vertical Square, 28 Heung Yip Road, Wong Chuk Hang, Hong Kong on Friday, 11 December 2020 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the Subscription Agreement (as defined in the announcement of the Company dated 21 August 2020, copy of which to be produced to the EGM marked "A" and signed by the chairman of the meeting for the purpose of identification), all the transactions contemplated thereunder and the implementation thereof be and are hereby ratified, confirmed and approved; and

   (b) any one of the directors of the Company (the "**Directors**") be and is hereby authorised to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Subscription Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or contemplated thereunder."

By order of the Board
DL Holdings Group Limited
Chen Ningdi
Executive Director

Hong Kong, 20 November 2020

Notes:

1. A form of proxy for the meeting is enclosed.

2. The resolution at the meeting will be taken by poll (except where the chairman of the meeting decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the articles of association of the Company. The results of the poll will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

3. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend, and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. On a show of hands every shareholder who is present in person or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. If a shareholder (other than a clearing house (or its nominees)) appoints more than one proxy, only one of the proxies so appointed and specified in the form of proxy is entitled to vote on the resolution on a show of hands. In the case of a poll, every shareholder present in person or by proxy(ies) shall be entitled to one vote for each share held by him.

4. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.

5. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Tuesday, 8 December 2020 to Friday, 11 December 2020, both days inclusive, during which period no transfer of Shares will be registered. The record date for the purpose of determining eligibility of the members of the Company to attend and vote at the EGM is Friday, 11 December 2020. In order to qualify for attending the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch registrar at the address stated in note 4 above not later than 4:30 p.m. on Monday, 7 December 2020 for registration.

6. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

8. Reference to time and dates in this notice are to Hong Kong time and dates.