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Dafy Holdings Limited
達飛控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1826)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of Directors (the “**Directors**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

	For the six months ended		
	30 June		
	2019	2018	
	HK\$'000	HK\$'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	640,857	306,083	109.4%
Gross profit	353,749	19,109	1,751.2%
Profit attributable to owners of the Company	86,090	2,396	3,493.1%
Earnings per share	HK7.0 cents	HK0.2 cents	3,400.0%

- The Group’s revenue amounted to approximately HK\$640.9 million for the Relevant Period, representing an increase of approximately HK\$334.8 million or approximately 109.4% as compared with the six months ended 30 June 2018.
- The profit attributable to owners of the Company is approximately HK\$86.1 million for the Relevant Period, representing an increase of approximately HK\$83.7 million or approximately 3,493.1% as compared with the six months ended 30 June 2018.
- The Board does not recommend the payment of an interim dividend for the Relevant Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	640,857	306,083
Cost of services		(287,108)	(286,974)
Gross profit		353,749	19,109
Other income	5A	211	144
Other gains and losses		125	(38)
Impairment losses, net of reversal	5B	(57,016)	–
Administrative expenses		(46,741)	(14,803)
Finance costs	6	(1,554)	(866)
Profit before tax	7	248,774	3,546
Income tax expense	8	(66,599)	(1,150)
Profit for the period		182,175	2,396
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(17,355)	–
Exchange difference on translation from functional currency to presentation currency		979	–
		(16,376)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(207)	11
Other comprehensive (expense) income for the period		(16,583)	11
Total comprehensive income for the period		165,592	2,407

		Six months ended 30 June	
		2019	2018
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
	Owners of the Company	86,090	2,396
	Non-controlling interests	96,085	–
		<u>182,175</u>	<u>2,396</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	69,457	2,407
	Non-controlling interests	96,135	–
		<u>165,592</u>	<u>2,407</u>
Earnings per share, basic (HK cents)	<i>10</i>	<u>7.0</u>	<u>0.2</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		3,911	5,390
Deposit paid for acquisition of property, plant and equipment		1,150	1,150
Right-of-use assets		15,517	–
Equity instruments at fair value through other comprehensive income	11	27,411	44,766
Deferred tax assets		14,294	270
		<u>62,283</u>	<u>51,576</u>
Current assets			
Trade and other receivables	12	415,216	198,094
Contract assets	13	232,767	163,451
Tax recoverable		2,751	2,751
Pledged bank deposits		31,395	33,194
Bank balances and cash		47,087	21,996
		<u>729,216</u>	<u>419,486</u>
Current liabilities			
Trade and other payables	14	211,860	169,993
Contract liabilities		5,554	13,875
Amounts due to shareholders		69,787	52,355
Lease liabilities		14,455	–
Tax liabilities		94,252	13,704
Bank overdrafts		4,871	–
Bank borrowings		56,229	53,400
		<u>457,008</u>	<u>303,327</u>
Net current assets		<u>272,208</u>	<u>116,159</u>
Total assets less current liabilities		<u>334,491</u>	<u>167,735</u>

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	76	76
Lease liabilities	<u>1,164</u>	<u>–</u>
	<u>1,240</u>	<u>76</u>
Net assets	<u><u>333,251</u></u>	<u><u>167,659</u></u>
Capital and reserves		
Share capital	12,320	12,320
Reserves	<u>194,111</u>	<u>124,654</u>
Equity attributable to owners of the Company	206,431	136,974
Non-controlling interests	<u>126,820</u>	<u>30,685</u>
Total equity	<u><u>333,251</u></u>	<u><u>167,659</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

Dafy Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company’s immediate holding company is Gentle Soar Limited (“**Gentle Soar**”), a company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Gao Yunhong (“**Mr. Gao**”), who is the chairman and executive director of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of building consultancy services, contracting business and project management, and provision of financial information and technology services to individuals in the People’s Republic of China (the “**PRC**”).

In the last quarter of 2018, the Group entered into a new business for the provision of financial information and technology services which link up the individual users in the PRC with various financial institutions or credit service providers. Following the rapid expansion of the Group’s financial information and technology service business in the current interim period, the directors of the Company consider that the primary economic environment in which the Company operates has changed, and therefore the functional currency of the Company has been changed to Renminbi (“**RMB**”) with effective from 1 January 2019.

The condensed consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) to suit the needs of the shareholders and investors. All values are rounded to the nearest thousand except when otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than adoption of new accounting policies and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

Adoption of new accounting policies

Change in functional currency

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into RMB at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. The amounts of such adjustments are considered insignificant.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities of approximately HK\$24,716,000 by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.5%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	26,868
Lease liabilities discounted at relevant incremental borrowing rates	25,638
Less: Recognition exemption — short-term leases	(922)
Lease liabilities relating to operating lease recognised upon application of HKFRS 16 as at 1 January 2019	24,716
Analysed as:	
Current	21,580
Non-current	3,136
	24,716

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of- use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	24,716
By class:	
Buildings	24,716

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current Assets			
Right-of-use assets	—	24,716	24,716
Current Liabilities			
Lease liabilities	—	21,580	21,580
Non-current liabilities			
Lease liabilities	—	3,136	3,136

Note: For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

- Contracting service
- Consultancy service
- Financial information and technology service

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2019		
	Contracting service HK\$'000 (Unaudited)	Consultancy service HK\$'000 (Unaudited)	Financial information and technology service HK\$'000 (Unaudited)
Types of service			
Construction	171,172	–	–
Consultancy	–	26,497	–
Provision of financial information and technology services			
Pre-loan service	–	–	441,865
Post-loan service	–	–	1,323
Total	171,172	26,497	443,188
Geographical markets			
Hong Kong	171,172	26,497	–
Mainland China	–	–	443,188
Total	171,172	26,497	443,188
Timing of revenue recognition			
A point in time	–	–	441,865
Over time	171,172	26,497	1,323
Total	171,172	26,497	443,188
For the six months ended 30 June 2018			
	Contracting service HK\$'000 (Unaudited)	Consultancy service HK\$'000 (Unaudited)	
Types of service			
Construction	283,065	–	
Consultancy	–	23,018	
Total	283,065	23,018	
Geographical markets			
Hong Kong	283,065	23,018	
Timing of revenue recognition			
Over time	283,065	23,018	

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Contracting service
2. Consultancy service
3. Financial information and technology service

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the six months ended 30 June 2019

	Contracting service HK\$'000 (Unaudited)	Consultancy service HK\$'000 (Unaudited)	Financial information and technology service HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE				
Segment revenue	<u>171,172</u>	<u>26,497</u>	<u>443,188</u>	<u>640,857</u>
Segment profit	<u>5,076</u>	<u>7,437</u>	<u>284,220</u>	<u>296,733</u>
Unallocated income				338
Unallocated expenses				<u>(48,297)</u>
Profit before tax				248,774
Income tax expense				<u>(66,599)</u>
Profit for the period				<u>182,175</u>

For the six months ended 30 June 2018

	Contracting service HK\$'000 (Unaudited)	Consulting service HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE			
Segment revenue	<u>283,065</u>	<u>23,018</u>	<u>306,083</u>
Segment profit	<u>16,438</u>	<u>2,671</u>	19,109
Unallocated income			145
Unallocated expenses			<u>(15,708)</u>
Profit before tax			3,546
Income tax expense			<u>(1,150)</u>
Profit for the period			<u>2,396</u>

Segment profit represents the profit from each segment before tax without allocation of other income, other gains and losses (excluding impairment losses recognised on trade receivables and contract assets), administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

5A. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	75	24
Others	136	120
	<u>211</u>	<u>144</u>

5B. IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Impairment losses recognised on:		
— Trade receivables	49,753	—
— Contract assets	7,263	—
	<u>57,016</u>	<u>—</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	1,155	859
Bank overdrafts	12	7
Lease liabilities	387	—
	<u>1,554</u>	<u>866</u>

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Directors' emoluments	2,208	2,182
Salaries and other allowances	86,273	39,522
Retirement benefit scheme contributions, excluding those of directors	6,684	1,548
	<u>95,165</u>	<u>43,252</u>
Total staff costs		
Less: amounts included in cost of services	(71,354)	(38,406)
	<u>23,811</u>	<u>4,846</u>
Depreciation of property, plant and equipment	1,670	605
Depreciation of right-of-use assets	9,282	–
Net foreign exchange gain	–	1
Loss on disposal of property, plant and equipment	(2)	(39)
	<u>10,952</u>	<u>(38)</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	–	1,150
PRC Enterprise Income Tax	80,623	–
	<u>80,623</u>	<u>1,150</u>
Deferred tax	(14,024)	–
	<u>66,599</u>	<u>1,150</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both periods.

9. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2019 and 2018. The directors of the Company have determined that no dividend will be paid in respect of the interim periods.

10. EARNINGS PER SHARE

The calculations of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	86,090	2,396
	Six months ended 30 June	
	2019	2018
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	1,232,000	1,232,000

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value			
	30 June	31 December	Fair value	Valuation technique
	2019	2018	hierarchy	and key input
	HK\$'000	HK\$'000		
	(Unaudited)	(Audited)		
Financial assets				
Financial assets at fair value through other comprehensive income	27,411	44,766	Level 1	Quoted bid prices in active market

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities measured at amortised cost and recorded in the condensed consolidated financial statements approximate their fair values.

12. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	389,031	159,318
Less: allowance for credit losses	(51,772)	(2,019)
	<u>337,259</u>	<u>157,299</u>
Retention receivables (<i>Note a</i>)	20,563	18,259
Less: allowance for credit losses	(49)	(49)
	<u>20,514</u>	<u>18,210</u>
Other receivables, deposits and prepayments		
— Prepayment	14,712	12,887
— Sundry deposits	4,425	4,295
— Temporary payment	1,526	2,253
— Accounts receivables in custodian (<i>Note b</i>)	29,925	1,379
— Other receivables	6,855	1,771
	<u>57,443</u>	<u>22,585</u>
	<u>415,216</u>	<u>198,094</u>

Notes:

- (a) Retention money in relation to completed projects of approximately HK\$12,872,000 (31 December 2018: HK\$10,623,000) were unbilled as at 30 June 2019. The Group has unconditional right to the payment of the unbilled retention receivables which is expected to be billed within 12 months from the end of the reporting period.
- (b) Balance represents revenue collected by custodian on behalf of the Group for service fee earned from individual borrowers in the financial information and technology service business. The balance will be transferred back to the bank accounts of the Group upon the Group's instructions.

The Group allows credit period normally ranging from 0 to 90 days to its customers. The followings are aging analysis of the Group's trade receivables and retention receivables net of allowance for credit losses presented based on certificate/invoice dates.

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables:		
1–30 days	77,777	90,221
31–60 days	71,110	36,833
61–90 days	64,003	1,424
91–180 days	50,116	17,189
Over 180 days	74,253	11,632
	337,259	157,299
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Receivables in relation to billed retention money		
1–30 days	31	–
31–60 days	–	400
61–90 days	24	–
91–180 days	400	6,715
Over 180 days	7,187	472
	7,642	7,587

13. CONTRACT ASSETS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracting service (<i>Note</i>)	149,908	147,704
Financial information and technology service	82,859	15,747
	232,767	163,451

Note: As at 30 June 2019, contract assets of approximately HK\$18,552,000 (unaudited) (31 December 2018: HK\$21,658,000 (audited)) are due from a related party, Land Ease Limited (“Land Ease”), a company wholly-owned by Mr. Ng Kin Siu, an executive director of the Company.

As at 30 June 2019, included in contract assets are retention held by customers for contract works amounted to approximately HK\$37,209,000 (unaudited) (31 December 2018: HK\$44,966,000 (audited)), in which approximately HK\$8,652,000 (unaudited) (31 December 2018: HK\$4,258,000 (audited)) are retention held by Land Ease. The retention money were expected to be recovered or settled in more than twelve months from the end of the reporting period.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

14. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables	18,060	42,521
Retention payables (<i>Note a</i>)	41,634	43,950
Commission payable to promotion agents	44,354	–
Accrued subcontracting charges and other operating expenses (<i>Note b</i>)	107,812	83,522
	<u>211,860</u>	<u>169,993</u>

Notes:

- (a) Retention payables amounted to approximately HK\$21,671,000 (unaudited) (31 December 2018: approximately HK\$26,181,000 (audited)) as at 30 June 2019 were aged more than twelve months from the end of the reporting period. All retention payables were expected to be paid or settled within twelve months from the end of the reporting period.
- (b) Included in the balance as at 30 June 2019, there are amounts due to 深圳達飛科技控股有限公司 (Shenzhen Dafy Technology Holding Co., Ltd.) (“**Shenzhen Dafy**”), 達飛雲貸科技(北京)有限公司 (Dafy Yundai Technology (Beijing) Co., Ltd.) (“**Dafy Yundai**”) and 深圳前海微遠至誠運營管理科技有限公司 (Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd.) (“**OPCO**”) of approximately HK\$931,000 (unaudited) (31 December 2018: HK\$647,000 (audited)), HK\$1,104,000 (unaudited) (31 December 2018: Nil) and HK\$202,000 (unaudited) (31 December 2018: Nil), respectively. These related companies are controlled by Mr. Gao for rental expenses payable to these related companies.

The credit period on trade payables is 0 to 30 days.

An aged analysis of the Group’s trade payables based on invoice dates at the end of the reporting period is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables:		
1–30 days	10,865	34,350
31–60 days	180	2,712
61–90 days	301	240
Over 90 days	6,714	5,219
	<u>18,060</u>	<u>42,521</u>

Surety bonds and contingent liability

Certain customers of construction contracts require the group entities to issue guarantees for performance of contract works in the form of surety bonds. The surety bond are secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

As at 30 June 2019, the outstanding amount of surety bonds of the Group was approximately HK\$19,254,000 (Unaudited) (31 December 2018: HK\$16,110,000 (audited)).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Construction segment

The services involved in the construction segment include: contracting services for alteration and addition works, maintenance, specialist works and new development; and consulting services for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong. The Group provides one-stop integrated solution for both contracting and consulting services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offering value-adding services such as providing advice on designs to the Group's customers.

Financial information and technology services segment

This segment involved the provision of financial information and technology services to the individuals in the PRC. The Group has developed a range of high integrity and user friendly platforms for the users in the PRC, and acting as a nationwide enterprise with diverse products in the financial related service industry.

Business Review and Outlook

During the first half of 2019, the Company continued to develop the construction business in Hong Kong and the financial information and technology services business in the PRC. The Directors believe that the continuous diversification of business and income streams will take advantage of new business opportunities that may give rise to more sustainable growth in shareholders' value and empower us to capture greater opportunities.

Construction segment

During the six months ended 30 June 2019, the overall market condition of the construction industry had been facing the challenges of current volatile economic situation as well as unclear economic prospect, no material expansion in the relevant market demand, high construction costs and labour shortage. Considering our proven track record and comprehensive services, we believe that we could strengthen our position in Hong Kong by attracting larger corporate customers and tenders for more capital-intensive projects for such customers. We also believe that the long term strong demand on the property market in Hong Kong, leaving room for further development in private housing market.

Financial information and technology services segment

The Group commenced the financial information and technology services business in the PRC since the second half of 2018. During the six months ended 30 June 2019, the Group continued to expand the operation scale of the financial information and technology services business significant growth of revenue and contribution of profit to the Group compared.

The Directors believe that the financial information and technology services segment will continue to support the continuous growth of the Group and enhance the long-term growth potential of the Company and its shareholders' value.

Financial Review

Revenue

The Group is principally engaged in (i) contracting services for alteration and addition works, maintenance, specialist works and new development; (ii) consulting services for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong; and (iii) financial information and technology services to the individuals in the PRC.

The total revenue of the Group increased by approximately HK\$334.8 million or 109.4% from approximately HK\$306.1 million for the six months ended 30 June 2018 to approximately HK\$640.9 million for the six months ended 30 June 2019. The increase was driven by the financial information and technology services during the period, but the effect was partly offset by the decrease in revenue from contracting services.

The revenue from contracting services decreased by approximately HK\$111.9 million or 39.5% from approximately HK\$283.1 million for the six months ended 30 June 2018 to approximately HK\$171.2 million for the six months ended 30 June 2019. The decrease was mainly due to a decrease in number of contracting projects with significant contract sum for the six months ended 30 June 2019.

The revenue from consulting services increased by approximately HK\$3.5 million or 15.2% from approximately HK\$23.0 million for the six months ended 30 June 2018 to approximately HK\$26.5 million for the six months ended 30 June 2019. The revenue from consulting services remained at a similar level as compared with the previous period.

The revenue from financial information and technology services was approximately HK\$443.2 million for the six months ended 30 June 2019. It has increased by approximately HK\$443.2 million or 100.0% from nil for the six months ended 30 June 2018 as this business segment commenced operation in the second half of 2019.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately HK\$334.6 million or 1,751.2% from approximately HK\$19.1 million for the six months ended 30 June 2018 to approximately HK\$353.7 million for the six months ended 30 June 2019, while the gross profit margin of the Group increased from approximately 6.2% for the six months ended 30 June 2018 to approximately 55.2% for the six months ended 30 June 2019. The increase was mainly driven by the financial information and technology services during the period.

The gross profit of contracting services decreased by approximately HK\$10.1 million or 62.7% from approximately HK\$16.1 million for the six months ended 30 June 2018 to approximately HK\$6.0 million for the six months ended 30 June 2019, while the gross profit margin of the contracting services decreased from approximately 5.7% the six months ended 30 June 2018 to approximately 3.6% the six months ended 30 June 2019.

The decrease in gross profit of contracting services was mainly due to the decrease in gross profit of our top five projects in terms of the contract size and cost of the project team which has to be maintained at a high level in order to maintain competitive in the tender bidding of other projects in the coming years.

The gross profit of consulting services increased by approximately HK\$4.4 million or 146.6% from approximately HK\$3.0 million for the six months ended 30 June 2018 to approximately HK\$7.4 million for the six months ended 30 June 2019, and the gross profit margin of the consulting services increased from approximately 13.0% for the six months ended 30 June 2018 to approximately 27.9% for the six months ended 30 June 2019.

The increase in gross profit in consulting services was mainly driven by a consulting project which has contributed a relatively high gross profit in view of the complexity, technicality and expertise required for the project.

The gross profit of financial information and technology services was approximately HK\$340.3 million for the six months ended 30 June 2019 and the gross profit margin of financial information and technology services was approximately 76.8% for the six months ended 30 June 2019.

Other Income

Our other income amounted to approximately HK\$211,000 and HK\$144,000 for the six months ended 30 June 2019 and 2018, respectively, representing an increase of approximately 46.5%, which was mainly due to the increase in bank interest income during the period.

Administrative Expenses

Our administrative expenses amounted to approximately HK\$46.7 million and HK\$14.8 million for the six months ended 30 June 2019 and 2018, respectively, representing an increase of approximately 215.5%. Our administrative expenses primarily consist of staff costs, legal and professional fee and the depreciation expenses on right-of-use assets in accordance with HKFRS 16 Leases. The increase is mainly related to the increased staff and office expenses incurred in the financial information and technology services segment.

Finance Costs

The finance costs of the Group increased by approximately HK\$0.7 million or 77.8% from approximately HK\$0.9 million for the six months ended 30 June 2018 to approximately HK\$1.6 million for the six months ended 30 June 2019, as the interest paid for the bank borrowings increased and the leases expenses in accordance with HKFRS 16 for the six months ended 30 June 2019.

Income Tax Expense

Income tax expense for the Group increased by approximately HK\$65.4 million or 5,450.0% from approximately HK\$1.2 million for the six months ended 30 June 2018 to approximately HK\$66.6 million for the six months ended 30 June 2019. The increase was mainly attributable to the increase in profit before tax from approximately HK\$3.5 million for the six months ended 30 June 2018 to approximately HK\$248.8 million for the for the six months ended 30 June 2019.

Profit and Total Comprehensive Income for the period attributable to the Owners of the Company

Profit for the period attributable to the owners of the Company increased by approximately HK\$83.7 million or 3,493.1% from approximately HK\$2.4 million for the six months ended 30 June 2018 to approximately HK\$86.1 million for the for the six months ended 30 June 2019.

It was primarily attributable to the net effect of (i) the increase in revenue and gross profit generated from financial information and technology services; (ii) the decrease in revenue and gross profit for the contracting services; (iii) the increase in gross profit in consulting services; and (iv) the increase in the administrative expenses and finance costs incurred by the Group.

Total comprehensive income for the period attributable to the owners of the Company increased by approximately HK\$67.1 million or 2,795.8% from approximately HK\$2.4 million for the six months ended 30 June 2018 to approximately HK\$69.5 million for the six months ended 30 June 2019.

It was primarily attributable to the net effect of (i) the increase in revenue and gross profit generated from financial information and technology services; (ii) the decrease in revenue and gross profit for the contracting services; (iii) the increase in gross profit in consulting services; (iv) the increase in the administrative expenses and finance costs incurred by the Group; and (v) the fair value loss on investments in equity instruments at fair value through other comprehensive income.

Liquidity and Financial Resources

The current ratio of the Group as at 30 June 2019 was 1.6 times as compared to that of 1.4 times as at 31 December 2018. It remained at a similar level during the Relevant Period.

As at 30 June 2019, the Group did not have any advances from customers (31 December 2018: approximately HK\$6.6 million), which bore interest at 0%–5.25% per annum in both years. In addition, the Group had bank borrowings of approximately HK\$56.2 million (31 December 2018: approximately HK\$53.4 million) and amounts due to shareholders of approximately HK\$69.8 million (31 December 2018: approximately HK\$52.4 million) as at 31 December 2018. The gearing ratio, calculated based on the total borrowings including interest-bearing advances from customers, bank borrowings and amount due to shareholders divided by total equity at the end of the year and multiplied by 100%, decreased to approximately 37.8% as at 30 June 2019 from approximately 67.0% as at 31 December 2018. The gearing ratio decreased as the amounts of total equity increased as at 30 June 2019.

Capital Structure

There has been no change in the capital structure of the Group. The share capital of the Group only comprises of ordinary shares.

As at 30 June 2019 and 31 December 2018, the Company's issued share capital was HK\$12,320,000 and the number of its issued ordinary shares was 1,232,000,000 of HK\$0.01 each.

Segmental Information

Segmental information is presented for the Group as disclosed in Note 4 of the Notes to the unaudited condensed consolidated financial statements.

Future Plans for Material Investments and Capital Assets

As at 30 June 2019, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 31 May 2019, a series of agreements comprising the exclusive business cooperation agreement, the exclusive purchase right agreement, the equity pledge agreement and two powers of attorneys all dated 31 May 2019 were entered into among 上饒市達飛金融信息服務有限公司 (Shangrao Dafy Financial Data Service Co., Ltd.*), a non-wholly-owned subsidiary of the Company (“**Shangrao Dafy**”), the OPCO, Mr. Gao and/or 上饒市亞鑫科技有限公司 (Shangrao Yaxin Technology Co., Ltd.*) (“**Shangrao Yaxin**”) (collectively, the “**VIE Agreements**”). Through the VIE Agreements, Shangrao Dafy would have effective control over the finance, operation and assets of the OPCO and would enjoy the entire economic interests and benefits generated by the OPCO. After entering into of the VIE Agreements, the OPCO will become a non-wholly-owned subsidiary of the Company and the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group. As at the date of this announcement, Gentle Soar is beneficially interested in 862,400,000 Shares (representing 70% of the total issued Shares) and is a controlling shareholder of the Company. Mr. Gao beneficially owns the entire issued shares of Gentle Soar and is therefore a controlling shareholder of the Company. Mr. Gao is also an executive Director. As such, Mr. Gao is a connected person of the Company under Chapter 14A of the Listing Rules.

As the OPCO is legally owned as to 99% by Mr. Gao and 1% by Shangrao Yaxin, a company established in the PRC with limited liability which is legally and wholly owned by Mr. Gao, the OPCO is an associate of Mr. Gao and therefore a connected person of the Company. Accordingly, the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules and are subject to the announcement, independent shareholders’ approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting will be convened on 10 September 2019 for the independent shareholders to approve the VIE Agreements and the transactions contemplated thereunder. The Company has applied for a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the OPCO to Shangrao Dafy. On 18 July 2019, the Company has been granted the waiver from the Stock Exchange subject to certain conditions.

An independent board committee, comprising only the independent non-executive Directors (the “**Independent Board Committee**”) has been established by the Board to advise the shareholders of the Company other than Gentle Soar and its associates (the “**Independent Shareholders**”) on the terms of the VIE Agreements. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the VIE Agreements. In accordance with Rule 14A.52 of the Listing Rules, the independent financial adviser has also explained why the duration of the VIE Agreements, which exceeds three years, constitutes a special circumstance under Rule 14A.52 of the Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration. A circular containing, among other things, (i) further details about the VIE Structure, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the extraordinary general meeting was despatched to the shareholders of the Company on 21 August 2019.

Save as disclosed above, during the six months ended 30 June 2019, the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

Surety Bonds and Contingent Liabilities

Certain customers of construction contracts require the group entities to issue guarantees for performance of contract works in the form of surety bonds. The surety bond are secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

As at 30 June 2019, the outstanding amount of surety bonds of the Group was approximately HK\$19,254,000 (Unaudited) (31 December 2018: HK\$16,110,000 (audited)).

Exposure to Exchange Rate Fluctuation

As at 30 June 2019, the Group’s majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Charges on the Group’s Assets

As at 30 June 2019, the Group has pledged its bank deposit to a bank of approximately HK\$31.4 million (31 December 2018: approximately HK\$33.2 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK\$95.3 million (31 December 2018: approximately HK\$119.8 million).

* *For identification only*

Employees and Remuneration Policies

As at 30 June 2019, the Group employed a total of 552 employees (30 June 2018: 211 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$95.2 million for the six months ended 30 June 2019 (30 June 2018: approximately HK\$43.3 million). Remuneration was determined with reference to market terms and the performance, qualification and experience of each individual employee. In addition to a basic salary, year- end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Updates on Directors' Information

Changes of information of the Directors during the course of his/her term of office and for the six months ended 30 June 2019 are set out below:

Name of Director	Details of Change
Ms. Feng Xuelian	Annual salary adjusted from HK\$10,000 to HK\$1,162,000 with effect from 1 June 2019
Mr. Lu Xin	Annual salary adjusted from HK\$10,000 to HK\$658,000 with effect from 1 May 2019

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, interests or short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Company's shares

Name of Director	Capacity/Nature	Number of shares held/interested in	Percentage of shareholding
Mr. Gao ^(Note 1)	Interest in controlled corporation	862,400,000	70%
Mr. Ng Kin Siu ^(Note 2)	Interest in controlled corporation	61,600,000	5%

Notes:

1. Mr. Gao beneficially owns the entire issued share capital of Gentle Soar and is deemed, or taken to be, interested in all the shares of the Company held by Gentle Soar for the purposes of the SFO. Mr. Gao is an executive Director and the chairman of the Board.
2. Mr. Ng Kin Siu beneficially owns the entire issued share capital of Masterveyor Holdings Limited (“Masterveyor”) and is deemed, or taken to be, interested in all the shares of the Company held by Masterveyor for the purposes of the SFO. Mr. Ng Kin Siu is an executive Director and the chief executive of the Company.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held/interested in	Percentage of shareholding
Mr. Gao	Gentle Soar	Beneficial owner	1	100%
Mr. Ng Kin Siu	Masterveyor	Beneficial owner	2	100%

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interest and short positions of the persons (other than the Directors or chief executive of the Company) or companies which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held/ interested in	Long/ short position	Percentage of total issued share capital of the Company
Gentle Soar	Beneficial owner	862,400,000	Long	70%
China Minsheng Banking Corp. Ltd.	Interest in a controlled corporation ^(note 1)	603,680,000	Long	49%
CMBC Capital Finance Limited	Person having a security interest in shares ^(note 1)	603,680,000	Long	49%
CMBC Capital Holdings Limited	Interest in a controlled corporation ^(note 1)	603,680,000	Long	49%
CMBC International Holdings Limited	Interest in a controlled corporation ^(note 1)	603,680,000	Long	49%
CMBC International Investment (HK) Limited	Interest in a controlled corporation ^(note 1)	603,680,000	Long	49%
CMBC International Investment Limited	Interest in a controlled corporation ^(note 1)	603,680,000	Long	49%
Masterveyor	Beneficial owner	61,600,000	Long	5%
Ms. Wong Chai Lin	Interest of spouse ^(note 2)	61,600,000	Long	5%

Notes:

- (1) CMBC Capital Finance Limited is a wholly-owned subsidiary of CMBC Capital Holdings Limited which is beneficially owned by CMBC International Investment Limited as to 60.62%. CMBC International Investment Limited is a wholly-owned subsidiary of CMBC International Investment (HK) Limited which is a wholly-owned subsidiary of CMBC International Holdings Limited, which is a wholly-owned subsidiary of China Minsheng Banking Corp. Ltd. By Virtue of the SFO, CMBC Capital Holdings Limited, CMBC International Holdings Limited, CMBC International Investment (HK) Limited, CMBC International Investment Limited and China Minsheng Banking Corp., Ltd. are therefore deemed to be interested in the security interest held by CMBC Capital Finance Limited.

- (2) Ms. Wong Chai Lin is the spouse of Mr. Ng Kin Siu, an executive Director, the chief executive of the Company and the beneficial owner of Masterveyor, and is deemed, or taken to be, interested in all the shares in which Mr. Ng Kin Siu is interested for the purposes of the SFO.

Save as disclosed above, as at 30 June 2019 and so far as is known to the Directors, no other person whose interests are set out in the “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” section above had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associates (as defined in the Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Relevant Period.

CORPORATE GOVERNANCE CODE

The Board recognises that transparency and accountability are important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return for the benefits of the Company’s stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The Board is pleased to report compliance with all applicable code provisions of the CG Code by the Company during the Relevant Period.

The Directors will continue to review the Company’s corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in the Model Code. The Company had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Relevant Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period.

SHARE OPTION SCHEME

The share option scheme (the “**Scheme**”) is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions of the Directors and other employees who have made valuable contributions to the Group. The Scheme of the Company was adopted on 16 September 2015 (the “**Adoption**”). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 30 June 2019.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(A) Purpose

The Scheme is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (B) below) had or may have made to our Group. The Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) to motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) to attract and to retain or otherwise to maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(B) The Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with paragraph (E) below:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(C) Maximum Number of Shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 123,200,000 shares, unless the Company obtains a fresh approval.

(D) Maximum Number of Options to any one Individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant.

(E) Price of Shares

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

(F) Time of Exercise of Option and Duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of the Adoption.

EVENTS AFTER REPORTING PERIOD

On 1 August 2019, the Company and South China Securities Limited entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the placing agent (the “**Placing Agent**”) has conditionally agreed to use its reasonable endeavours to procure placees to subscribe for the convertible bonds in an aggregate principal amount of up to HK\$80.0 million (the “**Convertible Bonds**”) at the initial conversion price of HK\$0.80 (the “**Initial Conversion Price**”) with a term of six months after the completion date (the “**Placing**”). On 21 August 2019, the Company and the Placing Agent reached an agreement to remove one of the adjustment events to the initial Conversion Price from the Placing Agreement. Assuming the Convertible Bonds are fully placed, upon full conversion of the Convertible Bonds at the Initial Conversion Price without adjustment, a maximum of 100,000,000 shares which will be issued upon conversion of the Convertible Bonds (the “**Conversion Shares**”) will be issued. Assuming the Convertible Bonds are fully placed by the Placing Agent and based on the estimated expenses of the Placing, the gross and net proceeds from the Placing are estimated to be HK\$80.0 million and approximately HK\$77.6 million respectively, and assuming the conversion rights attaching to the Convertible Bonds are fully exercised, the net price is approximately HK\$0.776 per Conversion Share.

The Directors intend to apply the proceeds of the Placing (i) as to approximately HK\$52.4 million for full repayment of the unsecured and interest-free loan payable to Gentle Soar; (ii) as to approximately HK\$17.5 million in financing its potential future acquisition(s) and for business development; and (iii) as to approximately HK\$7.7 million as general working capital of the Group. Completion of the Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange having granted or agreeing to grant the approval for, and permission to deal in, the Conversion Shares which fall to be issued upon conversion of the Convertible Bonds and such listing approval not subsequently revoked prior to Completion.

Reference is made to the Company’s announcements dated 31 May 2019, 8 July 2019 and 24 July 2019 and the Company’s circular dated 21 August 2019 in relation to the entering into of the VIE Agreements. Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the VIE Agreements were aggregated with the Company’s acquisition of 51% equity interests in Shangrao Dafy in August 2018 and shall be treated as if they were one transaction. As the transactions contemplated under the VIE Agreements constituted connected transaction and continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules and are subject to the announcement, independent shareholders’ approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules, an extraordinary general meeting will be convened on 10 September 2019 for the independent shareholders of the Company to approve the VIE Agreements and the transactions contemplated thereunder.

On 8 July 2019, the Group entered into a lease agreement with the OPCO to lease the risk management and operations management system at a leasing fee of RMB1,134,000 (approximately HK\$1,309,000) for the period from 1 June 2019 to the earlier of (i) 31 December 2019 and (ii) the day on which the VIE Agreements have been approved by the independent shareholders at the extraordinary general meeting.

Save as disclosed above, there is no other important event affecting the Group which have occurred since 30 June 2019 and up to the date hereof.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with its written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Lau Kwok Fai Patrick, Mr. Chan Yuk Sang and Mr. Wan Chi Wai Anthony, all being independent non-executive Directors. Mr. Lau Kwok Fai Patrick currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Relevant Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company at <http://www.dafy.com.hk>. The Group’s interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Dafy Holdings Limited
Gao Yunhong
Chairman of the Board and executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the executive Directors are Mr. Gao Yunhong, Mr. Lu Xin, Ms. Feng Xuelian and Mr. Ng Kin Siu; and the independent non-executive Directors are Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.