达飞控股
Dafy Holdings

# Dafy Holdings Limited
# 達飛控股有限公司

*(Formerly known as FDB Holdings Limited 豐展控股有限公司)*
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1826)**

## UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

### ANNUAL RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of Dafy Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. In the meantime, the board (the "**Board**") of Directors (the "**Directors**") of the Company is pleased to announce the unaudited consolidated financial results of the Group for the year ended 31 December 2019 together with the comparative audited figures for the year ended 31 December 2018. The financial information has been approved by the Board.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | *Notes* | **2019**<br>***HK$'000***<br>**(unaudited)** | 2018<br>*HK$'000*<br>(audited) |
|---|---|---|---|
| Revenue | *3* | **1,293,293** | 648,541 |
| Cost of services | | **(707,720)** | (539,526) |
| Gross profit | | **585,573** | 109,015 |
| Other income | | **1,397** | 2,020 |
| Other gains and losses | *4* | **(54,606)** | (24) |
| Impairment losses under expected credit loss model, net of reversal | *5* | **(208,003)** | (1,072) |
| Other expenses | | **–** | (220) |
| Administrative expenses | | **(107,168)** | (39,172) |
| Finance costs | *6* | **(2,997)** | (1,930) |

| | Notes | 2019<br>HK$'000<br>(unaudited) | 2018<br>HK$'000<br>(audited) |
|---|---|---|---|
| Profit before tax | 7 | **214,196** | 68,617 |
| Income tax expense | 8 | **(97,619)** | (17,321) |
| Profit for the year | | **116,577** | 51,296 |
| 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 | | **(25,069)** | (5,234) |
| Exchange differences on translation from functional currency to presentation currency | | **(3,089)** | – |
| | | **(28,158)** | (5,234) |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **3,171** | 34 |
| Other comprehensive expense for the year | | **(24,987)** | (5,200) |
| Total comprehensive income for the year | | **91,590** | 46,096 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **20,568** | 32,057 |
| Non-controlling interests | | **96,009** | 19,239 |
| | | **116,577** | 51,296 |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | **(4,222)** | 26,786 |
| Non-controlling interests | | **95,812** | 19,310 |
| | | **91,590** | 46,096 |
| Earnings per share | 9 | | |
| Basic (HK cents) | | **1.7** | 2.6 |
| Diluted (HK cents) | | **1.7** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2019*

| | *Notes* | **2019** **HK$'000** **(unaudited)** | 2018 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,079** | 5,390 |
| Intangible assets | | **5,763** | – |
| Right-of-use assets | | **7,227** | – |
| Deposit paid for acquisition of property, plant and equipment | | **–** | 1,150 |
| Equity instruments at fair value through other comprehensive income | *10* | **19,697** | 44,766 |
| Deferred tax assets | | **51,780** | 270 |
| | | **88,546** | 51,576 |
| **Current assets** | | | |
| Contract assets | *12* | **141,067** | 163,451 |
| Trade and other receivables | *13* | **512,152** | 198,094 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | *11* | **24,683** | – |
| Tax recoverable | | **4,470** | 2,751 |
| Pledged bank deposits | | **36,316** | 33,194 |
| Bank balances and cash | | **171,039** | 21,996 |
| | | **889,727** | 419,486 |
| **Current liabilities** | | | |
| Trade and other payables | *14* | **297,754** | 169,993 |
| Contract liabilities | *15* | **37,623** | 13,875 |
| Amounts due to shareholders | *16* | **15,503** | 52,355 |
| Tax liabilities | | **123,083** | 13,704 |
| Lease liabilities | | **6,818** | – |
| Bank borrowings | | **52,600** | 53,400 |
| | | **533,381** | 303,327 |
| **Net current assets** | | **356,346** | 116,159 |
| **Total assets less current liabilities** | | **444,892** | 167,735 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **16,278** | 76 |
| Lease liabilities | | **425** | – |
| | | **16,703** | 76 |
| **Net assets** | | **428,189** | 167,659 |

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| **Capital and reserves** | | |
| Share capital | **13,320** | 12,320 |
| Reserves | **244,931** | 124,654 |
| Equity attributable to owners of the Company | **258,251** | 136,974 |
| Non-controlling interests | **169,938** | 30,685 |
| **Total equity** | **428,189** | 167,659 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

## 1. GENERAL

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.

As at the date of this announcement, Gentle Soar Limited ("**Gentle Soar**"), a company incorporated in the British Virgin Islands, is beneficially interested in 862,400,000 shares of the Company representing approximately 64.74% of the total issued shares and is a controlling shareholder of the Company. Mr. Gao Yunhong (高雲紅) ("**Mr. Gao**"), the sole shareholder of Gentle Soar, was appointed as the chairman of the Board (the "**Chairman**") and executive Director on 5 January 2018, and stepped down from the aforesaid positions to a non-executive Director on 20 February 2020.

The Company is an investment holding company. The Group is principally engaged in the provision of building consultancy services, contracting business, 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 services providers. Following the rapid expansion of the Group's financial information and technology service business in the current year, 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 changed to Renminbi ("**RMB**") with effect from 1 January 2019.

The 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### *2.1 HKFRS 16 Leases*

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

*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 standard 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.

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

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% per annum.

| | **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: | |
| Leased properties | 24,716 |

The following adjustments were made to the amounts recognised in the 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** | **Adjustments** | **Carrying amounts under HKFRS 16 at 1 January 2019** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **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 from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

**New and amendments to HKFRSs issued but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 3 | Definition of a Business[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[4] |
| Amendments to HKFRS 9 HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[4] |

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

**Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards**

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

**Amendments to HKAS 1 and HKAS 8 Definition of Material**

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

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

### A. For the year ended 31 December 2019

*Disaggregation of revenue from contracts with customers*

| | For the year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | **Contracting service** *HK$'000* **(unaudited)** | **Consultancy service** *HK$'000* **(unaudited)** | **Financial information and technology service** *HK$'000* **(unaudited)** | **Total** *HK$'000* **(unaudited)** |
| **Types of service** | | | | |
| Construction | 489,053 | – | – | 489,053 |
| Consultancy | – | 57,689 | – | 57,689 |
| Provision of financial information and technology services | | | | |
| — Pre-loan service | – | – | 739,906 | 739,906 |
| — Post-loan service | – | – | 6,645 | 6,645 |
| **Total** | 489,053 | 57,689 | 746,551 | 1,293,293 |
| **Geographical markets** | | | | |
| Hong Kong | 489,053 | 57,689 | – | 546,742 |
| Mainland China | – | – | 746,551 | 746,551 |
| **Total** | 489,053 | 57,689 | 746,551 | 1,293,293 |
| **Timing of revenue recognition** | | | | |
| At a point in time | – | – | 739,906 | 739,906 |
| Over time | 489,053 | 57,689 | 6,645 | 553,387 |
| **Total** | 489,053 | 57,689 | 746,551 | 1,293,293 |

| | For the year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | Contracting service *HK$'000* (audited) | Consultancy service *HK$'000* (audited) | Financial information and technology service *HK$'000* (audited) | Total *HK$'000* (audited) |
| **Types of service** | | | | |
| Construction | 519,693 | – | – | 519,693 |
| Consultancy | – | 57,053 | – | 57,053 |
| Provision of financial information and technology services | | | | |
| — Pre-loan service | – | – | 71,535 | 71,535 |
| — Post-loan service | – | – | 260 | 260 |
| **Total** | 519,693 | 57,053 | 71,795 | 648,541 |
| **Geographical markets** | | | | |
| Hong Kong | 519,693 | 57,053 | – | 576,746 |
| Mainland China | – | – | 71,795 | 71,795 |
| **Total** | 519,693 | 57,053 | 71,795 | 648,541 |
| **Timing of revenue recognition** | | | | |
| At a point in time | – | – | 71,535 | 71,355 |
| Over time | 519,693 | 57,053 | 260 | 577,006 |
| **Total** | 519,693 | 57,053 | 71,795 | 648,541 |

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 year ended 31 December 2019**

| | **Contracting service** *HK$'000* **(unaudited)** | **Consultancy service** *HK$'000* **(unaudited)** | **Financial information and technology service** *HK$'000* **(unaudited)** | **Total** *HK$'000* **(unaudited)** |
|---|---|---|---|---|
| Segment revenue | **489,053** | **57,689** | **746,551** | **1,293,293** |
| Segment profit | **28,926** | **14,617** | **325,097** | **368,640** |
| Unallocated income | | | | **1,397** |
| Unallocated expenses | | | | **(155,841)** |
| Profit before tax | | | | **214,196** |
| **Other segment information** | | | | |
| Impairment losses under expected credit loss model, net of reversal | **2,084** | **–** | **205,919** | **208,003** |
| Loss from change in fair value of financial assets at FVTPL | **–** | **–** | **8,930** | **8,930** |

**For the year ended 31 December 2018**

| | Contracting service *HK$'000* (audited) | Consultancy service *HK$'000* (audited) | Financial information and technology service *HK$'000* (audited) | Total *HK$'000* (audited) |
|---|---|---|---|---|
| Segment revenue | 519,693 | 57,053 | 71,795 | 648,541 |
| Segment profit | 32,480 | 17,372 | 58,091 | 107,943 |
| Unallocated income | | | | 2,035 |
| Unallocated expenses | | | | (41,361) |
| Profit before tax | | | | 68,617 |
| **Other segment information** | | | | |
| Impairment losses under expected credit loss model, net of reversal | (10) | – | 1,082 | 1,072 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit from each segment before tax without allocation of other income, other expenses, certain other gains and losses, 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.

**Geographical information**

The Group principally operates in Hong Kong and the PRC, which are the principal places of domicile of the relevant group entities.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets (excluding equity instruments at fair value through other comprehensive income and deferred tax assets) is presented based on the geographical location of the assets.

| | **Revenue from external customers Year ended** | | **Non-current assets** | |
|---|---|---|---|---|
| | **31 December 2019** | 31 December 2018 | **31 December 2019** | 31 December 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) | **(unaudited)** | (audited) |
| Hong Kong | **546,742** | 576,746 | **8,102** | 6,246 |
| Mainland China | **746,551** | 71,795 | **8,967** | 294 |
| | **1,293,293** | 648,541 | **17,069** | 6,540 |

**Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Customer A[2] | **143,026** | N/A[1] |
| Customer B[3] | **N/A[1]** | 81,229 |
| Customer C[3] | **N/A[1]** | 77,148 |

1 The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.

2 Revenue from financial information and technology service segment.

3 Revenue from contracting service segment.

No other revenue from transaction with a single external customer amounted to 10% or more of the total revenue of the Group for both years.

## 4. OTHER GAINS AND LOSSES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Net foreign exchange losses (gains) | **165** | (15) |
| Loss on disposal of property, plant and equipment | **12** | 39 |
| Loss from change in fair value of financial assets at FVTPL | **8,930** | – |
| Loss from change in fair value of convertible bonds at FVTPL | **45,499** | – |
| | **54,606** | 24 |

## 5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Impairment losses recognised (reversed) on: | | |
| — Trade receivables | **176,266** | 1,884 |
| — Retention receivables | **640** | (242) |
| — Contract assets | **7,285** | (570) |
| — Deposits to a credit service provider and a financial institution | **5,212** | – |
| — Other receivables from a credit service provider | **18,600** | – |
| | **208,003** | 1,072 |

## 6. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Interest on: | | |
| — Bank borrowings | **2,379** | 1,795 |
| — Bank overdrafts | **38** | 23 |
| — Advances from customers | **–** | 112 |
| — Lease liabilities | **580** | – |
| | **2,997** | 1,930 |

## 7. PROFIT BEFORE TAX

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Profit before tax has been arrived at after charging: | | |
| Directors' emoluments | **5,066** | 4,206 |
| Salaries and other allowances | **158,747** | 83,458 |
| Retirement benefit scheme contributions, excluding those of directors | **12,873** | 4,708 |
| Total staff costs | **176,686** | 92,372 |
| Auditor's remuneration | **3,117** | 2,430 |
| Depreciation of property, plant and equipment | **3,131** | 1,758 |
| Depreciation of right-of-use assets | **18,608** | – |

## 8. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Current tax: | | |
| Hong Kong | **1,661** | 4,176 |
| PRC Enterprise Income Tax | **131,308** | 13,644 |
| | **132,969** | 17,820 |
| Overprovision in prior years: | | |
| Hong Kong | **(42)** | (70) |
| Deferred tax | **(35,308)** | (429) |
| Income tax expense | **97,619** | 17,321 |

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

## 9. EARNINGS PER SHARE

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share (profit attributable to owners of the Company) | **20,568** | 32,057 |

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| | **(unaudited)** | (audited) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,236,110** | 1,232,000 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,236,110** | N/A |

The computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds since their assumed exercise would result in an increase in earnings per share.

No diluted earnings per share was presented for the year ended 31 December 2018 as there were no potential ordinary shares in issue for the prior year.

## 10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Listed investments | | |
| — Equity securities listed in Hong Kong *(Note)* | **19,697** | 44,766 |

*Note:* The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments at fair value through other comprehensive income as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Listed investments | | |
| — Equity securities listed in the PRC *(Note)* | **24,683** | – |

*Note:* The equity securities were issued by listed company in the PRC. The fair value of the equity securities are determined based on the quoted market price available on the National Equities Exchange and Quotations ("**NEEQ**").

## 12. CONTRACT ASSETS

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Contracting service *(Note)* | **131,132** | 147,704 |
| Financial information and technology service | **9,935** | 15,747 |
| | **141,067** | 163,451 |

*Note:* As at 31 December 2019, contract assets of approximately HK$13,675,000 (2018: HK$21,658,000) are due from a related party, Land Ease Limited ("**Land Ease**"), a company wholly-owned by Mr. Ng Kin Siu.

As at 31 December 2019, included in contract assets are retention held by customers for contract works amounted to approximately HK$40,970,000 (2018: HK$44,966,000), in which approximately HK$9,675,000 (2018: HK$4,258,000) 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.

## 13. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade receivables *(Note a)* | **390,031** | 159,318 |
| Less: allowance for credit losses | **(178,285)** | (2,019) |
| | **211,746** | 157,299 |
| Retention receivables | **21,662** | 18,259 |
| Less: allowance for credit losses | **(689)** | (49) |
| | **20,973** | 18,210 |
| Other receivables, deposits and prepayments | | |
| — Deposits to a credit service provider and a financial institution | **49,794** | – |
| Less: allowance for credit losses | **(5,212)** | – |
| | **44,582** | – |
| — Other receivables from a credit service provider *(Note b)* | **177,689** | – |
| Less: allowance for credit losses | **(18,600)** | – |
| | **159,089** | – |
| — Prepayment | **43,882** | 12,887 |
| — Sundry deposits | **4,917** | 4,295 |
| — Accounts receivables in custodian | **1,688** | – |
| — Other receivables | **25,275** | 5,403 |
| | **279,433** | 22,585 |
| | **512,152** | 198,094 |

*Notes:*

(a) Included in the trade receivables as at 31 December 2019, approximately HK$20,711,000 (2018: HK$10,847,000) are due from Land Ease. The trade receivables due from Land Ease as at 31 December 2019 and 2018 are all aged within 30 days, based on certificate/invoice dates.

(b) This was the receivable from a credit service provider of approximately RMB158,929,000 (equivalent to approximately HK$177,689,000), as part of the business cooperation between the parties. It was interest-fee and unsecured. The amount is repayable upon demand.

The Group allows credit period ranging from 0 to 90 days to its customers. The following is an aged analysis of the Group's trade receivables net of allowance for credit losses presented based on certificate/invoice dates.

| | 2019<br>*HK$'000*<br>(unaudited) | 2018<br>*HK$'000*<br>(audited) |
|---|---|---|
| Trade receivables: | | |
| 1–30 days | **86,595** | 90,221 |
| 31–60 days | **25,316** | 36,833 |
| 61–90 days | **20,307** | 1,424 |
| 91–180 days | **47,130** | 17,189 |
| Over 180 days | **32,398** | 11,632 |
| | **211,746** | 157,299 |

## 14. TRADE AND OTHER PAYABLES

| | 2019<br>*HK$'000*<br>(unaudited) | 2018<br>*HK$'000*<br>(audited) |
|---|---|---|
| Trade payables | **147,789** | 42,521 |
| Retention payables | **46,600** | 43,950 |
| Accrued subcontracting charges | **58,087** | 63,374 |
| Accrued operating expenses *(Note a)* | **45,278** | 20,148 |
| | **297,754** | 169,993 |

*Notes:*

(a) This represents the amounts due to 深圳達飛科技控股有限公司 (Shenzhen Dafy Technology Holding Co., Ltd.) ("**Shenzhen Dafy**") and 達飛雲貸科技(北京)有限公司 (Dafy Yundai Technology (Beijing) Co., Ltd.) ("**Dafy Yundai**") (both of which are controlled by Mr. Gao) of approximately Nil (31 December 2018: HK$647,000) and HK$2,114,000 (31 December 2018: Nil) as at 31 December 2019, respectively for rental expenses payable to these related companies.

Included in the balance as at 31 December 2019, there is amount due to Shenzhen Dafy of approximately HK$6,747,000 (2018: Nil) for the purchase of risk management and operations management system from Shenzhen Dafy.

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:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade payables: | | |
| 1–30 days | **61,531** | 34,350 |
| 31–60 days | **23,374** | 2,712 |
| 61–90 days | **27,288** | 240 |
| Over 90 days | **35,596** | 5,219 |
| | **147,789** | 42,521 |

## 15. CONTRACT LIABILITIES

| | **31 December** | 31 December |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Deposits from customers | **36,594** | 7,294 |
| Advances from customers | **1,029** | 6,581 |
| | **37,623** | 13,875 |

## 16. AMOUNTS DUE TO SHAREHOLDERS

The amounts are unsecured, interest-free and repayable within one year from the end of the reporting period.

## 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-added 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 finance-related service industry.

### Business Review and Outlook

The Group continued to develop the contracting and consulting services in the construction segment 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.

For the year ended 31 December 2019, there were 82 contracting projects and 380 consulting projects (2018: 93 contracting projects and 397 consulting projects) with revenue contribution. The demands for the Group's contracting and consulting services slightly dropped as compared with the previous year.

The Group possesses the expertise and experience to deliver solutions that may add value to its projects. As at 31 December 2019, the Group's in-house team of professional staff for both contracting and consulting services comprised of a total of 19 (2018: 15) staff with professional qualifications which maintained a similar level as compared with the previous year. The qualified and experienced personnel, including authorized persons, authorized signatories, surveyors and engineers, can cope with the Group's business development for both contracting and consulting services by undertaking projects of larger scale and of higher complexity.

The Group commenced the financial information and technology services business in the PRC since the last quarter of 2018. For the year ended 31 December 2019, the Group continued to expand the operation scale of the financial information and technology services business. 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.

The business operation of the Group has been moderately affected by the COVID-19 coronavirus outbreak (the "**Epidemic**"). Some of the customers' repayments are in unexpected arrears. In addition, strict anti-epidemic measures implemented in the PRC has resulted in difficulties for some of the Group's employees in the PRC to report duty, which has adversely affected the operational efficiency of the Group. The Company expects that the situation will improve gradually upon the Epidemic effectively controlled or constrained.

Looking forward to 2020, despite the temporary economic fluctuation caused by the Epidemic at the beginning of the year, the Group remains optimistic on gradual growth recovery throughout the year. The Group will continue to maintain its core competitive advantages and seize market opportunities to enhance the financial performance.

**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$644.8 million or 99.4% from approximately HK$648.5 million for the year ended 31 December 2018 to approximately HK$1,293.3 million for the year ended 31 December 2019. The increase was primarily resulted of the increase in revenue from financial information and technology services.

The revenue from contracting services decreased by approximately HK$30.6 million or 5.9% from approximately HK$519.7 million for the year ended 31 December 2018 to approximately HK$489.1 million for the year ended 31 December 2019. The decrease was mainly due to a decrease in number of contracting projects with significant contract sum for the year ended 31 December 2019.

The revenue from consulting services increased by approximately HK$0.6 million or 1.1% from approximately HK$57.1 million for the year ended 31 December 2018 to approximately HK$57.7 million for the year ended 31 December 2019. The revenue from consulting services remained at a similar level as compared with the previous year.

The revenue from financial information and technology services increased by approximately HK$674.8 million or 939.8% from approximately HK$71.8 million for the year ended 31 December 2018 to approximately HK$746.6 million for the year ended 31 December 2019 as the Group commenced its financial information and technology services in the last quarter of the year ended 31 December 2018 and continued to expand its market share in 2019.

*Gross Profit and Gross Profit Margin*

Gross profit of the Group increased by approximately HK$476.6 million or 437.2% from approximately HK$109.0 million for the year ended 31 December 2018 to approximately HK$585.6 million for the year ended 31 December 2019, while the gross profit margin of the Group increased from approximately 16.8% for the year ended 31 December 2018 to approximately 45.3% for the year ended 31 December 2019. The increase was mainly driven by the financial information and technology services during the year.

The gross profit of contracting services decreased by approximately HK$1.5 million or 4.6% from approximately HK$32.5 million for the year ended 31 December 2018 to approximately HK$31.0 million for the year ended 31 December 2019, while the gross profit margin of the contracting services remained at 6.3% for both years.

The decrease in gross profit of contracting services was mainly due to (i) the corresponding decrease in revenue of the contracting services; (ii) the decrease in gross profit of our top five projects in terms of the contract size; and (iii) cost of the project team and operating 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 decreased by approximately HK$2.8 million or 16.1% from approximately HK$17.4 million for the year ended 31 December 2018 to approximately HK$14.6 million for the year ended 31 December 2019, and the gross profit margin of the consulting services decreased from approximately 30.5% for the year ended 31 December 2018 to approximately 25.3% for the year ended 31 December 2019.

The decrease in gross profit in consulting services was mainly due to increase in number of consulting projects which required the sub-consultancy services in view of the complexity, technicality and expertise required for the projects.

The gross profit of financial information and technology services increased by approximately HK$480.9 million or 813.7% from approximately HK$59.1 million for the year ended 31 December 2018 to approximately HK$540.0 million for the year ended 31 December 2019, and the gross profit margin of the financial information and technology services decreased from approximately 82.3% for the year ended 31 December 2018 to approximately 72.4% for the year ended 31 December 2019.

*Other Income*

Other income of the Group decreased by approximately HK$0.6 million or 30.0% from approximately HK$2.0 million for the year ended 31 December 2018 to approximately HK$1.4 million for the year ended 31 December 2019. The decrease was mainly due to the provision of the non-recurring development of financial information and technology system and software service rendered in the PRC by a subsidiary of the Group during the year ended 31 December 2018.

*Other Gains and Losses*

The Group has other net losses of approximately HK$54.6 million (2018: HK$0.024 million) for the year ended 31 December 2019. The increase in net losses was attributable to losses on change in fair value of financial assets and convertible bonds.

*Impairment losses under expected credit loss model, net of reversal*

The Group has impairment losses under expected credit loss model, net of reversal of approximately HK$208.0 million (2018: HK$1.1 million) for the year ended 31 December 2019. The increase was due to the increase in impairment losses under expected credit loss model on trade and other receivables.

*Administrative Expenses*

Administrative expenses of the Group increased by approximately HK$68.0 million or 173.5% from approximately HK$39.2 million for the year ended 31 December 2018 to approximately HK$107.2 million for the year ended 31 December 2019.

Administrative expenses primarily consist of depreciation of Right of Use (the "**ROU**") assets, staff costs and professional and other costs in relation to the compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The increase was mainly attributable to depreciation of ROU assets for the office premises both located in Hong Kong and the PRC, staff costs paid, audit fee and legal and professional fee paid during the year.

*Finance Costs*

Finance costs of the Group increased by approximately HK$1.1 million or 57.9% from approximately HK$1.9 million for the year ended 31 December 2018 to approximately HK$3.0 million for the year ended 31 December 2019, as the interest paid for the bank borrowings increased for the year ended 31 December 2019.

*Income Tax Expense*

Income tax expense for the Group increased by approximately HK$80.3 million or 464.2% from approximately HK$17.3 million for the year ended 31 December 2018 to approximately HK$97.6 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in profit before tax from approximately HK$68.6 million for the year ended 31 December 2018 to approximately HK$214.2 million for the year ended 31 December 2019.

*Profit and Total Comprehensive Income for the Year Attributable to the Owners of the Company*

Profit for the year attributable to the owners of the Company decreased by approximately HK$11.5 million or 35.8% from approximately HK$32.1 million for the year ended 31 December 2018 to approximately HK$20.6 million for the year ended 31 December 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 decrease in gross profit in consulting services; (iv) the increase in the impairment losses under expected credit loss model on trade and other receivables, administrative expenses and income tax expense; and (v) the loss on the fair value changes of the financial assets and convertible bonds.

Total comprehensive income for the year attributable to the owners of the Company decreased from approximately profit of HK$26.8 million for the year ended 31 December 2018 to approximately loss of HK$4.2 million losses for the year ended 31 December 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 decrease in gross profit in consulting services; (iv) the loss on the fair value changes of the financial asset and convertible bonds; (v) the increase in the impairment losses under expected credit loss model on trade and other receivables, administrative expenses and income tax expenses; and (vi) the increase in 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 31 December 2019 was 1.7 times as compared to that of 1.4 times as at 31 December 2018.

As at 31 December 2019, the Group had advances from customers amounting to approximately HK$1.0 million (2018: approximately HK$6.6 million), which bore interest at 0%–5.25% per annum for both years. In addition, the Group had bank borrowings of approximately HK$52.6 million (2018: approximately HK$53.4 million) and amounts due to shareholders of approximately HK$15.5 million (2018: 52.4 million) as at 31 December 2019. The gearing ratio, calculated based on the total borrowings including interest-bearing advances from customers, bank borrowings and amounts due to shareholders divided by total equity at the end of the year and multiplied by 100%, decreased to approximately 16.1% as at 31 December 2019 from approximately 67.0% as at 31 December 2018. The gearing ratio decreased as the total equity increased during the year.

**Capital Structure**

Amount of HK$80,000,000 of convertible bonds of the Group were converted into 100,000,000 Shares during the year ended 31 December 2019.

The total number of the issued Shares of the Company was 1,332,000,000 as at 31 December 2019 (2018: 1,232,000,000).

## Future Plans for Material Investments and Capital Assets

As at 31 December 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 (collectively, the "**VIE Agreements**") were entered into among Shangrao Hongmiao Information Technology Co., Ltd.* ("**Shangrao Hongmiao**") ((上饒市紅淼信息科技有限公司) (formerly known as Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司)), a non-wholly-owned subsidiary of the Company, Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd* (the "**OPCO**") 深圳前海微遠至誠運營管理科技有限公司, Mr. Gao and Shangrao Yaxin Technology Co., Ltd.* ("**Shangrao Yaxin**") (上饒市亞鑫科技有限公司). Through the VIE Agreements, Shangrao Hongmiao 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 the VIE Agreements, Gentle Soar was beneficially interested in 862,400,000 shares (representing 70% of the total issued shares) and was a controlling shareholder of the Company. Mr. Gao beneficially owns the entire issued shares of Gentle Soar and is therefore also a controlling shareholder of the Company. In addition, Mr. Gao was then 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, 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 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. An extraordinary general meeting was convened on 9 September 2019 and the VIE Agreements and the transactions contemplated thereunder were duly approved by the Independent Shareholders. 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 OPCO to Shangrao Hongmiao. On 18 July 2019, the Company has been granted the waiver from the Stock Exchange subject to certain conditions. For further details of the waiver from the Stock Exchange and the relevant conditions, please refer to the announcement of the Company dated 24 July 2019.

On 24 September 2019, the OPCO as the purchaser and Ms. Shen Dan (沈丹) ("**Ms. Shen**") and Mr. Yang Xianfeng (楊險峰) ("**Mr. Yang**") as the vendors entered into share transfer agreements respectively in respect of the transfer of 19,960,000 shares and 19,000,000 shares in Datong Development Zone Sunshine Micro-credit Co., Ltd* (大同開發區陽光小額貸款股份有限公司) ("**Sunshine Micro-credit**"), representing 9.98% and 9.50% of the equity interests therein, at an aggregate consideration of RMB58,440,000 (equivalent to approximately HK$64,307,000) (the "**Acquisition**").

As an ordinary and usual course of business of the Group, the Group has been diverting potential and suitable clients who have financial needs to Sunshine Micro-credit and its subsidiaries, and as a result of which, the Group will receive remuneration for every successful introduction. Therefore the Group has established business relationship with Sunshine Micro-credit with mutual benefits. The Board is of the view that the Acquisition would enhance such business relationship.

Upon completion of the Acquisition, (a) the OPCO became the single largest shareholder of Sunshine Micro-credit with the shareholding of 19.48%; and (b) as confirmed by the PRC legal adviser of the Company, the OPCO was entitled to nominate one director to Sunshine Micro-credit and convene shareholders' meetings of Sunshine Micro-credit. Therefore the Directors are of the view that the Acquisition can enhance the existing business relationship with Sunshine Micro-credit. The acquisition of 19,960,000 shares in Sunshine Micro-credit from Ms. Shen was completed on 18 October 2019.

On 31 December 2019, the OPCO and Mr. Yang entered into a termination agreement to terminate the share transfer agreement between the OPCO and Mr. Yang dated 24 September 2019 in respect of the transfer of 19,000,000 shares in Sunshine Micro-credit. Before entering into the termination agreement, Mr. Yang had already transferred 100,000 shares, representing 0.05% of the equity interests of Sunshine Micro-credit of the OPCO. Therefore, the remaining shares to be acquired from Mr. Yang were 18,900,000 shares of Sunshine Micro-credit, representing 9.45% of the equity interests, and the acquisition would not proceed pursuant to the termination agreement.

As the OPCO will not become the single largest shareholder of Sunshine Micro-credit, on 31 December 2019, the Group announced its intention to dispose of 20,060,000 shares of Sunshine Micro-credit, representing 10.03% of equity interests. (the "**Intended Disposal**"). Up to the date of this announcement, no agreement has been entered into in respect of the Intended Disposal and there is no assurance that the Intended Disposal will materialise.

Save as disclosed above, during the year ended 31 December 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 undertaken by the Group require the Group entities to issue guarantees for performance of contract works in the form of surety bonds and secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions who have issued such surety bonds.

As at 31 December 2019, the outstanding amount of surety bonds of the Group was approximately HK$40,208,000 (2018: HK$16,110,000).

Save as disclosed above, as at 31 December 2019 and 2018, the Group did not have other material contingent liabilities.

**Exposure to Exchange Rate Fluctuation**

As at 31 December 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.

**Charge of Group's Assets**

As at 31 December 2019, the Group has pledged its bank deposit to a bank of approximately HK$36.3 million (2018: approximately HK$33.2 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK$108.8 million (2018: approximately HK$119.8 million).

**Employees and Remuneration Policies**

As at 31 December 2019, the Group employed a total of 567 employees (2018: 475 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$176.7 million for the year ended 31 December 2019 (2018: approximately HK$92.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to 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.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Practices

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 to the benefits of the Company's stakeholders as a whole.

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The Directors will continue to review its 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.

The Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 December 2019.

### 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 Appendix 10 to the Listing Rules. The Company had also 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 year ended 31 December 2019.

### Purchase, Sale or Redemption of Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2019.

### Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick. The chairman of the Audit Committee is Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters.

## EVENTS AFTER THE REPORTING PERIOD

On 1 January 2020, Shangrao Hongmiao entered into a 2020 lease agreement (the "**2020 Lease Agreement**") with Dafy Yundai, for the period of 1 January 2020 to 31 December 2020, to renew the lease of the hardware and software system in connection with the financial information and technology services on the mobile application "達飛雲貸" owned by Dafy Yundai initially expired on 31 December 2019. The amount of fees payable by Shangrao Hongmiao under the 2020 Lease Agreement is RMB1,840,000.

On 8 January 2020, the Company and Applied Development Holdings Limited (the "**Subscriber**") entered into a subscription agreement, to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in an aggregate principal amount of up to US$8,000,000 with 6% coupon rate at the initial Conversion Price of HK$1.22 per Conversion Share with a term of 364 days (which can, at the option of the Company, be extended for a six-month period). Upon a full conversion of the Convertible Bonds at the initial Conversion Price (subject to adjustment), a maximum of 51,147,540 Conversion Shares will be issued, representing approximately 3.84% of the issued share capital of the Company as at the date of this announcement. Assuming the conversion rights attaching to the Convertible Bonds are fully exercised at the initial Conversion Price, the net proceeds from the issue of the Convertible Bonds, after deducting related expenses, are estimated to be HK$61,700,000. The Directors intend to use the net proceeds from the issue of the Convertible Bonds (after deduction of the expenses payable in connection with the issue of the Convertible Bonds) (i) as to approximately HK$56,000,000 in financing its potential future acquisition(s) and for business development; and (ii) as to approximately HK$5,700,000 as general working capital of the Group. The Company and the Subscriber have mutually agreed to terminate the subscription agreement on 30 March 2020 and the subscription would not proceed thereon.

On 20 February 2020, Mr. Wang Jing was appointed as an executive Director and chairman of the Board of the Company and Mr. Gao Yunhong stepped down as the chairman of the Board and was re-designated from an executive Director to a non-executive Director. Mr. Zhang Huaqiao was appointed as the corporate development adviser of the Company.

On 20 March 2020, the Company announced its intention to change the English name of the Company from "Dafy Holdings Limited" to "Steering Holdings Limited" and the dual foreign name in Chinese of the Company from "達飛控股有限公司" to "旭通控股有限公司" (the "**Proposed Change of Company Name**"). The Proposed Change of Company Name will symbolise a new start and refresh the corporate image of the Company. As such, the Board believes that the Proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole. An extraordinary general meeting (the "EGM") will be convened on 9 April 2020 to approve the Proposed Change of Company Name. A circular containing, among other matters, further information of the Proposed Change of Company Name and a notice of EGM was despatched to the Shareholders on 23 March 2020.

Save as disclosed above, there were no significant events after the reporting period of the Group.

## REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in the PRC and Hong Kong to combat the Epidemic. The unaudited results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. However, due to the continuous spread of the Epidemic globally, the expected date of completion of the Company's audited results cannot be determined at the current stage and depends largely on the further development of the Epidemic, especially in the PRC and Hong Kong.

The unaudited annual results contained herein have been reviewed and agreed with by the Audit Committee.

It is expected that the auditors' audit will complete as soon as practicable once the travel restrictions to the PRC and the quarantine arrangements are relieved. The Company will despatch the annual report as and when appropriate, according to the Listing Rules and, in any event, not later than Friday, 15 May 2020.

## FURTHER ANNOUNCEMENT(S)

After the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed with the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, (iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the annual general meeting (and the proposed arrangements relating to dividend payment, if any), and (iv) considering the recommendation of a final dividend (if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This unaudited annual consolidated results announcement is published on the Company's website at www.dafy.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2019 Annual Report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

**Appreciation**

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. I would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

By order of the Board
**Dafy Holdings Limited**
**Wang Jing**
*Chairman of the Board and executive Director*

Hong Kong, 31 March 2020

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