达飞控股
Dafy Holdings

Dafy Holdings Limited
達飛控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1826)

INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF A POSSIBLE INVESTMENT IN FUND

This announcement is made by the Company pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 2 September 2019 (after trading hours), the Company entered into a non-legally binding MOU with the Fund Manager for, among others, a possible subscription of the Subscription Share in the Target Fund. The Target Fund will acquire and obtain the entire beneficial interest of and control over the Target Group. The proposed Consideration will be HK$80,000,000, which is payable by way of issuance of the Convertible Bonds to the Fund Manager. The Possible Investment will be subject to the execution of the formal agreement, fulfilment of conditions precedent and the results of due diligence to the Company's satisfaction, and conditional upon the completion of the acquisition of the entire issued share capital of the Target Company by the Fund Manager through the Target Fund. The Possible Investment, if materialised, is expected to constitute a discloseable transaction under Chapter 14 of the Listing Rules.

Save for the provisions of the MOU in relation to exclusivity, confidentiality, announcement, costs and expenses, and governing law and jurisdiction, the MOU is subject to contract and is not legally binding.

Shareholders and potential investors of the Company should note that (a) as at the date of this announcement, the Company has not entered into any legally binding agreement in relation to the Possible Investment; and (b) the Possible Investment is subject to, among other things, the negotiation and execution of the definitive transaction documents. The Company therefore may or may not proceed with the Possible Investment. If the Company proceeds with the Possible Investment, the Possible Investment is expected to constitute a "discloseable transaction" of the Company. Further announcement(s) will be made by the Company in respect of the Possible Investment will be made by the Company as and when appropriate in compliance with the Listing Rules. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

THE MOU

The Board is pleased to announce that, on 2 September 2019 (after the trading hours), the Company, the Fund Manager and the Target Fund entered into the MOU for a possible subscription of the Subscription Share in the Target Fund. The Target Fund will acquire and obtain the entire beneficial interest of and control over the Target Group by entering into a sale and purchase agreement with the holding company of the Target Company, which is an Independent Third Party. The Possible Investment, if materialised, is expected to constitute a discloseable transaction under Chapter 14 of the Listing Rules.

The proposed Consideration will be HK$80,000,000, which is payable by way of issuance of the Convertible Bonds to the Fund Manager. The Possible Investment will be subject to the execution of the formal agreement, fulfilment of conditions precedent, the results of due diligence to the Company's satisfaction, and conditional upon the completion of the acquisition of the entire issued share capital of the Target Company by the Fund Manager through the Target Fund.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, the Target Fund, the Fund Manager and their respective ultimate beneficial owners are Independent Third Parties.

THE PRINCIPAL TERMS OF THE MOU

Date: 2 September 2019 (after trading hours of the Stock Exchange)

Parties:
(i) The Company (as the potential investor)

(ii) The Fund Manager (as the fund manager of the Target Fund)

(iii) The Target Fund

Investment Terms

Subject to the execution of the formal agreement, fulfilment of conditions precedent and the results of due diligence to the Company's satisfaction, and conditional upon the completion of the acquisition of the entire issued share capital of the Target Company by the Fund Manager through the Target Fund, the Target Fund shall allot and issue and the Company shall subscribe for the Subscription Share, representing the entire issued Class A Share of the Target Fund, free from all encumbrances.

The Class A Shares of the Target Fund shall entitle the Company to the exclusive management and control over the Target Company and the exclusive right to distribution of profit and dividends of the Target Company, subject to the management agreement to be entered into between the Target Fund and the Company.

Formal Agreement

The Company, the Fund Manager and the Target Fund agree to use their endeavours to negotiate and enter into a formal agreement in relation to the Possible Investment as soon as practicable.

Consideration

The total consideration of the subscription of the Subscription Share is HK$80,000,000, which shall be payable by the Company by way of issuing the Convertible Bonds to the Fund Manager. The Convertible Bonds may be converted, at the option of the Fund Manager, into Shares at the conversion price per convertible share. The proposed principal terms of the convertible bonds are as follows:

Principal Amount:	HK$80,000,000
Maturity Date:	three years, extendable for another two years at the option of the bondholder
Interest:	at the coupon rate of 6.5% per annum, to be paid every six months
Conversion Period:	the 10th business day before the maturity date to the 5th business day before the maturity date
Conversion Price:	the higher of: (i) the closing price on the date of the formal agreement; or (ii) the average closing price in five consecutive trading days immediately prior to the date of the formal agreement subject to customary adjustment mechanisms

Conditions precedent

Completion of the formal agreement will be subject to, among others, the following conditions precedent:

(i) completion of acquisition of the Target Group by the Target Fund;

(ii) all licenses held by the Target Group remaining valid and subsisting;

(iii) no material adverse change to the business, financial, legal and operational position of the Target Group;

(iv) the Company being satisfied with the due diligence results in relation to the Target Group;

(v) none of the licensed corporations within the Target Group being refused to apply for or refused the renewal of any licence under the SFO, unless specified otherwise;

(vi) all existing responsible officers in the Target Group remaining as responsible officers in their position, unless specified otherwise; and

(vii) there being no criminal conviction, disciplinary action being taken and no material investigation conducted by all relevant regulatory bodies (including but not limited to SFC) over the Target Group in the past three years from the date of completion.

Swap Option

After the three-year term from the date of the formal agreement to be entered into and provided that the Target Group is loss-making, the Company shall have the right to require the Fund Manager and the Target Fund to swap all of the Subscription Share held by the Company with the principal amount under the Convertible Bonds (with all conversion rights unexercised) held by the Target Fund at nil consideration.

EXCLUSIVITY PERIOD

The Fund Manager agrees that neither the Target Fund nor their associates shall enter into any discussion or any legally binding commitment with any other third parties in respect of or in relation to the Possible Investment for period of two months from the date of the MOU or such further period to be agreed by the parties (the "**Exclusivity Period**"). The Target Fund shall not sell or dispose of or create any encumbrances on the Subscription Share during the Exclusivity Period.

INFORMATION ABOUT THE GROUP

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.

INFORMATION ABOUT THE TARGET FUND

The Target Fund is a segregated portfolio company incorporated in the Cayman Islands with limited liability. As at the date hereof, the Fund Manager is holding one (1) management share in the Target Fund. To the best knowledge of the Directors, the Target Fund will be the holding entity upon the completion of acquisition of the Target Company.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company incorporated under the laws of Hong Kong. The Target Company is the holding company of a group of companies which consist of, among others, licensed corporations under the SFO authorised to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong.

REASONS FOR ENTERING INTO THE MOU

As disclosed in the 2018 annual report of the Company, the Directors have been actively exploring different business opportunities in order to diversify the existing construction business of the Group and to explore new markets with significant growth potential. The Directors believe that the continuous diversification of business and income stream will bring more sustainable growth in shareholders' value and empower us to capture greater opportunities.

The Directors consider that the Target Group is a well-established financial services provider in Hong Kong with long-standing track record. The Possible Investment would enable the Company to diversify its business segments into financial services sector and enhance future shareholders' and broaden the Company's portfolio of services offered under the financial services business segment through direct investment in, management and operation of the Target Group.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"**Board**"	the board of Directors of the Company
"**Class A Share(s)**"	Class A Share(s) of the Target Fund of US$1.00 each, which entitle the Company to the exclusive management and control over the Target Company and the exclusive right to distribution of profit and dividends of the Target Company
"**Company**"	Dafy Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange (stock code: 1826)
"**Consideration**"	HK$80,000,000, which is payable by way of issuing the Convertible Bonds to the Fund Manager

"**Convertible Bonds**"	the convertible bonds in the principal amount of up to HK$80,000,000 to be issued by the Company
"**Director(s)**"	director(s) of the Company
"**Fund Manager**"	Victory Securities Company Limited (勝利證券有限公司), a company incorporated in Hong Kong with limited liability, and a corporation licenced under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (advising on asset management) regulated activities
"**Independent Third Party(ies)**"	third party(ies) independent of, and not connected with or acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates
"**Group**"	the Company and its subsidiaries
"**Listing Rules**"	The Rules Governing the Listing of Securities on the Stock Exchange
"**MOU**"	a non-legally binding memorandum of understanding, entered into on 2 September 2019 (after trading hours) among the Company, the Fund Manager and the Target Fund
"**Possible Investment**"	subscription of the Subscription Share, representing the entire issued Class A Share in the Target Fund
"**Subscription Share**"	one Class A Share of the Target Fund
"**SFO**"	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, as amended and revised from time to time
"**SFC**"	Securities and Futures Commission of Hong Kong
"**Share(s)**"	ordinary shares of par value HK$0.01 each in the Company
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Target Company**"	a company incorporated in Hong Kong with limited liability, which is the holding company of, among others, a group of licensed corporations under the SFO authorised to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong.

"**Target Group**"	the Target Company and its subsidiaries, which consisted of, among others, a group of licensed corporations under the SFO authorised to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong
"**Target Fund**"	GFVS Industry Investment Fund SPC, a segregated portfolio company incorporated in the Cayman Islands with limited liability

Shareholders and potential investors of the Company should note that (a) as at the date of this announcement, the Company has not entered into any legally binding agreement in relation to the Possible Investment; and (b) the Possible Investment is subject to, among other things, the negotiation and execution of the definitive transaction documents. The Company therefore may or may not proceed with the Possible Investment. If the Company proceeds with the Possible Investment, the Possible Investment is expected to constitute a "discloseable transaction" of the Company. Further announcement(s) in respect of the possible investment will be made by the Company as and when appropriate in compliance with the Listing Rules. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

By order of the Board
Dafy Holdings Limited
Ng Kin Siu
Chief Executive Officer and executive Director

Hong Kong, 2 September 2019

As at the date of this announcement, the executive Directors are Mr Gao Yunhong, Ms Feng Xuelian, Mr Lu Xin 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.