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)**

## (1) ISSUANCE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE; AND (2) DISCLOSURE PURSUANT TO LISTING RULES 13.13 AND 13.15 ON ADVANCES TO AN ENTITY FOR PROVISION OF SECURITY DEPOSIT

**ISSUANCE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

The Board is pleased to announce that on 8 January 2020 (after trading hours), the Subscriber and the Company entered into the Subscription Agreement pursuant 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.

Subject to the satisfaction of the conditions set forth below, 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.

Completion of the Subscription Agreement 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.

## GENERAL MANDATE

Upon exercise of the conversion rights attaching to the Convertible Bonds in full at the initial Conversion Price (subject to adjustment), 51,147,540 Conversion Shares shall be allotted and issued under the General Mandate. The issue and allotment of the Conversion Shares are not subject to additional Shareholders' approval as the Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate, which was granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 31 May 2019.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## ADVANCES TO AN ENTITY FOR PROVISION OF SECURITY DEPOSIT

As one of the conditions precedent for the issue of the Convertible Bond, the Company, Shanghai Faye Yu, the Company's wholly-owned subsidiary, the Subscriber and Wuxi Shengye, the Subscriber's wholly-owned subsidiary, entered into Security Deposit Agreement, whereby Shanghai Faye Yu agrees to provide and Wuxi Shengye agrees to take the Security Deposit of RMB40 million as the collateral of the Convertible Bond. The provision of the Security Deposit will bear an interest at the rate of 3.18% per annum, payable by Wuxi Shengye.

## LISTING RULES IMPLICATIONS

As the aggregate amount of Security Deposit advanced by the Group to Wuxi Shengye exceeds 8% of the assets ratio (as defined under Rule 14.07(1) of the Listing Rules), the grant of the Facility is subject to the general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules.

## ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

The Board is pleased to announce that on 8 January 2020 (after trading hours), the Subscriber and the Company entered into the Subscription Agreement, particulars of which are as follows:

### The Subscription Agreement

| | |
|---|---|
| Date: | 8 January 2020 (after trading hours) |
| Issuer: | The Company |
| Subscriber: | Applied Development Holdings Limited |

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its substantial shareholders are Independent Third Parties of the Company, Directors and the substantial shareholders of the Company and their respective associates

Pursuant to the Subscription Agreement, 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 at the initial Conversion Price of HK$1.22 with a term of 364 days, which is extendable for another six-month period.

### Conditions precedent

The subscription of the Convertible Bonds by the Subscriber and the issuance of the Convertible Bonds by the Company are conditional upon:

(a) 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 the exercise of the conversion rights attaching to the Convertible Bonds and such listing approval not subsequently revoked prior to Completion;

(b) the Company having Sufficient General Mandate for the issue of Conversion Shares which fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bond;

(c) the Company (or its subsidiary) making available the Security Deposit to the Subscriber (or its subsidiary);

(d) the parties or their designated subsidiaries executing the Security Deposit Agreement and delivering the duly executed counterparts to other parties;

(e) the Subscription Agreement not having been terminated in accordance with the terms of the Subscription Agreement;

(f) compliance of all other requirements under the Listing Rules and Takeovers Code or otherwise required by regulators;

(g) (where required) all necessary consents and approvals having been obtained by the Company from any government or regulatory authority of the Cayman Islands and the completion of all necessary filings with any government or regulatory authority of the Cayman Islands required for the entering into and/or performance of the Subscription Agreement and the transactions contemplated hereunder; and

(h) all warranties under the Subscription Agreement remaining true, correct, complete and not misleading.

If any of the conditions specified above has not been satisfied or waived by the Long Stop Date, either party may defer the Completion to a later date, proceed to completion with other conditions, or the Subscription Agreement shall thereupon lapse and become null and void and all rights, obligations and liabilities of the parties under the Subscription Agreement in relation to the issue and subscription of the Convertible Bonds shall cease and determine and none of the parties shall have any claim against the other in respect of the issue and subscription of the Convertible Bonds, save for any liability arising out of any antecedent breaches of the Subscription Agreement.

**Subscriber**

The Subscriber is a limited company incorporated in Bermuda, the shares of which are listed on the Stock Exchange (stock code: 519). It is an investment holding company principally engaged in resort and property development, property investment and investment holding.

**Completion**

Completion will take place on or before the third (3rd) Business Day after the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Subscription Agreement.

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The following summarises certain of the principal terms of the Convertible Bonds:

| | |
|---|---|
| Issuer: | The Company |
| Principal amount: | US$8,000,000 |
| Issue price: | 100% of the principal amount of the Convertible Bonds |
| Maturity Date: | 364 days after the date of issue (which can, at the option of the Company, be extended for a six-month period). |
| Interest rate: | The Convertible Bonds bear coupon interest at the rate of six per cent (6%) per annum from and including the issue date payable every six months following the Issue Date, or conversion or upon the redemption of the Convertible Bond, whichever is earlier. |

| | |
|---|---|
| Conversion Period: | The period commencing on the next Business Day after the date of issuance of the Convertible Bonds and ending on the date that falls on the tenth (10th) day immediately before the Maturity Date (both dates inclusive) or, if such Convertible Bonds shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than the date fixed for redemption thereof. |
| Conversion Price: | The Conversion Price is initially HK$1.22 per Conversion Share subject to adjustments represents:<br><br>(a) a premium of approximately 12.96% over the closing price of the Company of HK$1.08 per Share as quoted on the Stock Exchange on 8 January 2020, being the date of the Subscription Agreement; or<br><br>(b) a premium of approximately 14.45% to the average closing price of HK$1.066 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the Subscription Agreement.<br><br>The Conversion Price and the other terms of the Convertible Bonds were determined after arm's length negotiations between the Company and the Subscriber with reference to the market price and the trading volume of the Shares, internal rate of return of the Convertible Bonds and the prevailing market conditions. |
| Conversion Shares: | Assuming the conversion rights attaching to Convertible Bonds are fully exercised, a maximum of 51,147,540 Conversion Shares will be issued, representing approximately 3.84% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.70% of the Company's then issued share capital as enlarged by the full conversion of the Conversion Shares at the initial Conversion Price of HK$1.22 per Conversion Share. |

| | |
|---|---|
| Conversion rights: | Subject to the terms and conditions of the Convertible Bonds and subject to listing approval having been granted by the Stock Exchange for listing of and permission to deal in such Conversion Shares and subject to the prior written consent of the Company, any Convertible Bond may be converted into duly authorised, validly issued, fully-paid and unencumbered Shares at the option of the Subscriber at any time during the Conversion Period. Any conversion shall be made in amount of not less than a whole multiple of US$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than US$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted. |
| Conversion restrictions: | The conversion rights attaching to the Convertible Bond may only be exercised by the Subscriber during the Conversion Period.<br><br>The Company shall not be obliged to convert any Conversion Shares if (i) the number of Conversion Shares to be issued would be in excess of the maximum number of Shares which could be issued under the unutilised portion of the General Mandate after adjustment mechanism being triggered; or (ii) the Company comes to a view that the issue of Conversion Shares will cause the total issued Shares in the hands of public (as defined in Rule 8.08(1) of the Listing Rules) to fall below the 25% of the number of total issued shares of the Company. |
| Redemption at maturity: | Any principal amount of the Convertible Bond which remains outstanding on the Maturity Date shall be mandatorily redeemed at the price of 100% of the outstanding principal amount of such Convertible Bond. |
| Early Redemption: | The Company may not redeem in full or in part of the outstanding principal of the Convertible Bond prior to the Maturity Date, other than in the case of the Bondholders default in repayment of Security Deposit and payment of interest accrued therefrom for ten (10) Business Days or more. |
| Transferability: | The Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company. |

Adjustments to the Conversion Price:

The Conversion Price shall from time to time be adjusted upon the occurrence of the following:

(a) a Stock Split, consolidation, sub-division or reclassification of the Shares;

(b) bonus issue to the Shareholders (other than in lieu of a cash dividend) for capitalisation of profit or reserves of the Company;

(c) capital distribution to the Shareholders;

(d) issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per share less than 80% of the Current Market Price; and

(e) issue any Shares, whether for cash or non-cash consideration (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) in each case at a price per Share which is less than 80% of the Current Market Price.

Events of default:

(i) ***Payment default:*** a default is made in the payment of principal and interest in respect of any of the Convertible Bonds when and as the same ought to be paid in accordance with the Convertible Bond; or

(ii) ***Other default:*** a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Bond Instrument or in the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any) and interest in respect of any of the Convertible Bonds) and such default continues for the period of fourteen (14) days next following the service by the Subscriber on the Company of notice specifying brief details of such default and requiring such default to be remedied; or

(iii) ***Dissolution of the Company and Disposals:*** a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of simple majority of the bondholders; or

(iv) ***Encumbrances:*** an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or

(v) ***Distress:*** a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of the Company and is not discharged within three days thereof; or

(vi) ***Bankruptcy:*** the Company is unable to pay its debts as and when they fall due or the Company shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors; or

(vii) ***Bankruptcy proceedings:*** a winding-up or bankruptcy petition being filed against the Company under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 21 days.

Collateral: Shanghai Faye Yu will make available the Security Deposit to Wuxi Shengye of RMB40 million during the tenor of the Convertible Bond, at the interest rate of 3.18% per annum payable by the Subscriber or its designated subsidiary. The Security Deposit shall be refunded to the Company in proportion to the reduction in the outstanding amount of the Convertible Bond in the event of conversion, repayment or redemption of the Convertible Bond.

Voting: The Subscriber shall not be entitled to attend or vote at any meetings of the Company by reason only of them being holder of the Convertible Bonds.

| | |
|---|---|
| Application for listing: | No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares. |
| Ranking: | The Conversion Shares convertible under the Convertible Bond shall, upon allotment and issue, rank pari passu in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the Subscriber to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant registration date. |

**EFFECTS ON SHAREHOLDING STRUCTURE**

Assuming there is no further issue or repurchase of the Shares, the table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price.

| | **As at the date of this announcement** | | **Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price** | |
|---|---|---|---|---|
| | *No. of Shares* | *Approximate %* | *No. of Shares* | *Approximate %* |
| **Shareholders** | | | | |
| Gentle Soar Limited | 862,400,000 | 64.74 | 862,400,000 | 62.35 |
| Masterveyor Holdings Limited | 61,600,000 | 4.63 | 61,600,000 | 4.45 |
| **Public Shareholders** | | | | |
| Subscriber | — | — | 51,147,540 | 3.70 |
| Other Shareholders | 408,000,000 | 30.63 | 408,000,000 | 29.50 |
| **Total:** | 1,332,000,000 | 100.0 | 1,383,147,540 | 100.0 |

As disclosed in the above shareholding table, immediately after the full conversion of the Convertible Bonds, over 25% of the then issued share capital of the Company will be held by public Shareholders (including the Subscriber).

**REASONS FOR THE ISSUANCE AND USE OF PROCEEDS**

The principal business activity of the Company is investment holding. The Group is principally engaged in (i) contracting service for alteration and addition works, maintenance, specialist works and new development; (ii) consulting service 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 individuals in the PRC.

The Board considered that the terms of the Convertible Bonds, including the Conversion Price, were fair and reasonable and were determined after arm's length negotiation between the Company and the Subscriber with reference to market price and trading volume of the Shares, internal rate of return of the Convertible Bonds and the prevailing market conditions. The Board also considers the interest rate of the Convertible Bonds were fair and reasonable after making references to the prevailing interest rates of short term borrowing currently available at the market.

Assuming the conversion rights attaching to the Convertible Bonds are fully exercised at the initial Conversion Price and based on the estimated expenses of the issue of the Convertible Bonds, the gross and net proceeds from the issue of the Convertible Bonds are estimated to be HK$62,400,000 and approximately HK$61,700,000 respectively, the net price is approximately HK$1.21 per Conversion Share.

As disclosed in the 2019 interim report of the Company, the Company plans to continue to develop the financial information technology services business. The Company has been seeking appropriate business target(s) for acquisition in order to implement the business strategy as mentioned above. As the Company foresees that acquisition of business target(s) will usually be done in a tight timeline and it may be difficult to obtain sufficient financing to complete the acquisition in a short period of time, the proceeds of the Convertible Bond will provide sufficient financial backing to the Company for its future acquisitions.

Subject to the satisfaction of the conditions set forth below, the Directors intend to apply (i) as to approximately HK$56,000,000, representing approximately 90.76% of the net proceeds, for its potential future acquisition(s) and for business development; (ii) as to approximately HK$5,700,000, representing approximately 9.24% of the net proceeds, for general working capital of the Company.

In view of the above, the Directors are of the view that the issuance of the Convertible Bonds provides a good opportunity to strengthen the Company's financial position and the terms of the issuance of the Convertible Bonds are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## GENERAL MANDATE

The issue and allotment of the Conversion Shares are not subject to additional Shareholders' approval as the Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate, which was granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 31 May 2019. Under the General Mandate, the Directors are authorised to allot and otherwise deal with new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) of up to 20% of the issued share capital of the Company as at the date of the aforesaid annual general meeting, which amounts to 246,400,000 new Shares. As at the date of this announcement, 100,000,000 Shares have been issued under the General Mandate and 146,400,000 Shares remain unutilised under the General Mandate. The issue of the Convertible Bond will utilise

51,147,540 Shares from the General Mandate for the issue of the Conversion Shares which fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bond at the initial Conversion Price (subject to adjustment), and 95,252,460 Shares will remain unutilised thereafter.

## GENERAL

The Conversion Shares convertible under the Convertible Bonds will be issued under the General Mandate. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of approval for the listing of, and permission to deal in, the Conversion Shares. No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

## ADVANCE TO AN ENTITY FOR PROVISION OF SECURITY DEPOSIT

As one of the conditions precedent for the issue of the Convertible Bond, the Company, Shanghai Faye Yu, a wholly-owned subsidiary of the Company, the Subscriber and Wuxi Shengye, a wholly-owned subsidiary of the Subscriber, entered into Security Deposit Agreement, whereby Shanghai Faye Yu agrees to provide and Wuxi Shanghai agrees to take the Security Deposit of RMB40 million as collateral of the Convertible Bond. The provision of the Security Deposit will bear an interest rate of 3.18% per annum, payable by Wuxi Shengye. The Security Deposit shall be refunded to the Company in proportion to the reduction in the outstanding amount of the Convertible Bond in the event of conversion, repayment or redemption of the Convertible Bond. Wuxi Shengye shall be entitled to retain the security Deposit if the Company defaults in payment or any terms of the Convertible Bond. The provision of the Security Deposit is provided to Wuxi Shengye free from any collateral.

## PROVISION OF SECURITY DEPOSIT

The provision of the Security Deposit is a given as a collateral of the Convertible Bond. The Shanghai Faye Yu is entitled to receive an interest of 3.18% per annum on the Security Deposit placed with Wuxi Shengye. The interest rate of the Security Deposit is higher than the prevailing market interest rate available to the Group for placing cash deposit with commercial banks. In view of the above, the Directors are of the view that provision of the Security Deposit will reduce the overall interest rate of the Convertible Bond by providing collateral and will better utilise the idle cash in the PRC and bring reasonable return to the Group and is fair and reasonable and in the interest of the Company and Shareholders as a whole.

## IMPLICATION UNDER THE LISTING RULES

As the provision of the Security Deposit exceeds 8% under the assets ratio based on the latest published consolidated total assets of the Company as defined under Rule 14.07(1) of the Listing Rules and constitutes an advance to an entity under Rule 13.13 of the Listing Rules, the advance of the Security Deposit to the Wuxi Shengye is subject to the disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules.

## DEFINITIONS

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 |
| "Bond Instrument" | the instrument constituting the Convertible Bonds in the agreed form as set out in the Subscription Agreement |
| "Business Day" | a day (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours |
| "Company" | Dafy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange (stock code: 1826) |
| "Completion" | completion of the Subscription Agreement, which shall take place within the third (3rd) Business Day following the fulfilment of the conditions precedent in the Subscription Agreement and the notification by the Subscriber to the Company of the same, or such other date as the Company and the Subscriber may agree, and "Completion Date" means the date of such completion |
| "Connected Person(s)" | has the meaning ascribed thereto in the Listing Rules |
| "Conversion Period" | the period commencing on the next Business Day after the date of issuance of the Convertible Bonds and ending on the date that falls on the tenth (10th) day immediately before the Maturity Date (both dates inclusive) or, if such Convertible Bonds shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than the date fixed for redemption thereof |
| "Conversion Price" | HK$1.22 per Conversion Shares (subject to adjustment) |
| "Conversion Share(s)" | Share(s) to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds subject to the terms and conditions of the Convertible Bonds |
| "Convertible Bond(s)" | the convertible bonds in the principal amount of up to US$8,000,000 to be issued by the Company pursuant to the Subscription Agreement |

| | |
|---|---|
| "Current Market Price" | in respect of a Share at a particular date, the average of the closing prices published in the daily quotation sheet of the Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date |
| "Director(s)" | director(s) of the Company |
| "Force Majeure Events" | any event or circumstance or material change or deterioration in local, national, international, political, military, financial, economic, market or trading conditions or any other conditions in any part of the world in which the Company or any other member of the Group carries on business which, in the reasonable opinion of the Subscriber, is or may be materially adverse to the business or financial position of any member of the Group or otherwise makes it inexpedient or inadvisable to proceed with the subscription of the Convertible Bonds |
| "General Mandate" | the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 31 May 2019 to allot, issue and deal with 246,400,000 Shares, being 20% of the issued capital of the Company as at the date of the said annual general meeting |
| "Group" | the Company and its subsidiaries |
| "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 |
| "Listing Committee" | the Listing Committee of the Stock Exchange |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 10 days from the date of the Subscription Agreement, or such other date as the Company and the Subscriber may agree in writing |
| "Maturity Date" | The date falling 364 days after the issue date (which can, at the option of the Company, be extended for a six-month period) |
| "RMB" | Renminbi, the lawful currency of the People's Republic of China |

| | |
|---|---|
| "Security Deposit" | a security deposit made available by the Company (or its subsidiary) to the Subscriber (or its subsidiary) of RMB40 million to guarantee the due and punctual performance of the Convertible Bond |
| "Security Deposit Agreement" | the agreement of Security Deposit of the Convertible Bond (可轉換公司債券保證金協議) dated 8 January 2020 entered into among the Company, the Subscriber, Shanghai Faye Yu and Wuxi Shengye |
| "SFC" | Securities and Futures Commission of Hong Kong |
| "Shanghai Faye Yu" | Shanghai Faye Yu Technology Co., Ltd (上海飛毓有限公司), a wholly foreign-owned enterprise in the People's Republic of China, which is wholly-owned by the Company |
| "Share(s)" | ordinary share(s) of par value HK$0.01 each in the Company |
| "Shareholder(s)" | the holder(s) of the issued Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Stock Split" | any kind of stock split in relation to the Shares, including a bonus share distribution, a stock dividend or a sub-division of Shares |
| "Subscriber" | Applied Development Holdings Limited, a company incorporated in Bermuda as a company with limited liability, whose issued Shares are listed on the Stock Exchange (stock code: 519) |
| "Subscription Agreement" | the subscription agreement dated 8 January 2020 entered into between the Company and the Subscriber in respect of the subscription and the issue of Convertible Bonds |
| "Takeovers Code" | The Codes on Takeovers and Mergers and Share Buy-backs, as amended from time to time |
| "Trading Day(s)" | a day when the Stock Exchange is open for trading in Hong Kong |
| "US$" | United States dollars, the lawful currency of the United States |

| | |
|---|---|
| "Wuxi Shengye" | Wuxi Shengye Haigang Joint Stock Company Limited (無錫盛業海港股份有限公司), a limited company established under the laws of the PRC and wholly-owned by the Subscriber |
| "%" | per cent |

*For the purpose of illustration, the exchange rates of US$1:HK$7.8 and RMB1:HK$1.12 are used in this announcement.*

**Completion of the Subscription Agreement is subject to the satisfaction of the conditions precedent set out in the Subscription Agreement. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

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

Hong Kong, 8 January 2020

*As at the date of this announcement, the executive Directors are Mr. Gao Yunhong, 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.*