

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other independent adviser.

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

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**Dafy Holdings Limited**  
**達飛控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1826)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO DESIGN AND CONSTRUCTION AGREEMENT**

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



A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from VBG Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 23 of this circular.

A notice convening the extraordinary general meeting (the “EGM”) of Dafy Holdings Limited to be held at 6th Floor, The Sun’s Group Centre, 200 Gloucester Road, Wanchai, Hong Kong on Monday, 16 July 2018 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

27 June 2018

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to this term under the Listing Rules;
“Board”	means the board of Directors;
“Company”	means Dafy Holdings Limited 達飛控股有限公司, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange (stock code: 1826);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules;
“Design and Construction Agreement”	means the design and construction agreement dated 8 June 2018 entered into between Land Ease and Fruit Design in relation to the provision of the Design and Construction Services by the Fruit Design to Land Ease;
“Design and Construction Services”	means the services for design, the carrying out and completion of the construction of the Works as referred to in the Design and Construction Agreement;
“Director(s)”	means the director(s) of the Company;
“EGM”	means an extraordinary general meeting of the Company to be convened on Monday, 16 July 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps by the Independent Shareholders;
“Fruit Design”	means Fruit Design & Build Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company;
“Group”	means the Company and its subsidiaries from time to time;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;

## DEFINITIONS

“Independent Board Committee”	means the independent committee of the Board comprising of all the independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps;
“Independent Financial Adviser”	means VBG Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, Chapter 571 of the Laws of Hong Kong, which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps;
“Independent Shareholders”	means the Shareholders other than those Shareholders who have a material interest in the transactions contemplated under the Design and Construction Agreement and their respective associates;
“Land”	means Kwun Tong Inland Lot 281 now known as 46 Tsun Yip Street, wholly-owned by the Target;
“Land Ease”	means Land Ease Limited, a company incorporated in Hong Kong with limited liability wholly owned by Mr. Ng;
“Latest Practicable Date”	means 22 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Masterveyor”	Masterveyor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability wholly owned by Mr. Ng;
“Mr. Ng”	means Mr. Ng Kin Siu, (i) the chief executive officer of the Company; and (ii) an executive Director;
“PRC”	means the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

## DEFINITIONS

“Quick Lucky”	means Quick Lucky Development Limited, a company incorporated in Hong Kong with limited liability wholly-owned by Mr. Ng;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary shares of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	means the holder(s) of the Share(s);
“SP Agreement”	means the sale and purchase agreement dated 7 May 2018 entered into between Quick Lucky as purchaser and an independent third party as vendor for the sale and purchase of the entire issued shares and shareholders’ loan of the Target;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Target”	means Eagle Crown Holdings Limited, a company incorporated in Hong Kong with limited liability;
“Works”	means the proposed industrial development to be constructed on the Land; and
“%”	means per cent.

\* *In this circular, the English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

LETTER FROM THE BOARD



**Dafy Holdings Limited**  
**達飛控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1826)**

*Executive Directors:*

Mr. Gao Yunhong  
Ms. Zhu Wenhui  
Mr. Qi Gang  
Mr. Ng Kin Siu

*Registered Office:*

Cricket Square Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Mr. Chan Yuk Sang  
Mr. Wan Chi Wai Anthony  
Mr. Lau Kwok Fai Patrick

*Head office and principal place of  
business in Hong Kong:*

6th Floor, The Sun's Group Centre  
200 Gloucester Road  
Wan Chai  
Hong Kong

27 June 2018

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO DESIGN AND CONSTRUCTION AGREEMENT**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 8 June 2018 in relation to the Design and Construction Agreement. The transactions contemplated thereunder the Design and Construction Agreement constitute continuing connected transactions of the Company, and are subject to reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you, among other things, (i) further information on the details of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

## LETTER FROM THE BOARD

### THE DESIGN AND CONSTRUCTION AGREEMENT

Fruit Design entered into the Design and Construction Agreement with Land Ease, pursuant to which Fruit Design has agreed to provide the Design and Construction Services to Land Ease.

Principal terms of the Design and Construction Agreement are set out below:

#### **Date**

8 June 2018

#### **Parties**

- (i) Fruit Design; and
- (ii) Land Ease

#### **Provision of the Design and Construction Services**

Under the Design and Construction Agreement, Fruit Design shall provide, the Design and Construction Services to Land Ease.

#### **Conditions Precedent**

The Design and Construction Agreement shall be effective upon the satisfaction of the following conditions (hereinafter called the “**Conditions Precedent**”):

- (1) The transactions contemplated under the SP Agreement having been completed;
- (2) The passing by the Shareholder(s) who are permitted to vote under the Listing Rules at a general meeting of the Company of resolutions to approve the Design and Construction Agreement and the transactions contemplated therein; and
- (3) all necessary approvals and consents in relation to the transactions contemplated under the Design and Construction Agreement having been obtained, such consents and approvals should include, without limitation, the consent and approval from the Target approving the Land Ease to enter into the Design and Construction Agreement.

None of the Conditions Precedent is waivable. As at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled. The Directors have been informed by Land Ease that Condition Precedent (1) and (3) will be fulfilled on 10 July 2018 and Condition Precedent (2) will be fulfilled at the EGM if the Shareholder(s) who are permitted to vote at the EGM approve the Design and Construction Agreement and the transactions contemplated therein. If it comes to the notice of Land Ease of any event that may prevent any of the Conditions Precedent from being fulfilled; or if any of the Conditions Precedent have not been fulfilled by 31 July 2018 (or such later time or date

## LETTER FROM THE BOARD

as may be agreed between Land Ease and Fruit Design in writing), Land Ease will have the right to declare the Design and Construction Agreement null and void and of no further effect, save for any antecedent breaches.

### Duration and Termination

The Design and Construction Agreement is for the duration of 600 calendar days commencing from date upon which possession of the Land is handed over to Fruit Design or otherwise extended or terminated in accordance with the terms of the Design and Construction Agreement.

### Pricing

The amount of fees payable by Land Ease for the Design and Construction Services is HK\$182,000,000.00, which was determined after arm's length negotiations between Land Ease and Fruit Design on normal commercial terms taking into account the following factors including (i) complexity of site works and design works involved; (ii) the estimated amount of time and materials required and personnel to be involved; (iii) the payment term specified in the Design and Construction Agreement; (iv) reference price of similar projects completed by the Group before; and (v) any risk leading to extension of service period or additional payment. The Group has also made reference to various construction costs data published from time to time by different firms of quantity surveyors including Rider Levett Bucknall and Arcedes Hong Kong Limited.

### Payment

Land Ease shall pay for the Design and Construction Services provided by the Fruit Design. Payment will be made on a monthly basis with reference to the estimated value of the work properly carried out including any design work carried out by Fruit Design and of the materials and goods delivered to or adjacent to the Works for use thereon, which is similar to those offered to independent third parties in relation to similar contracting service rendered by the Group. As such, the Directors are of the view that terms of payment stipulated under the Design and Construction Agreement are equal and/or not better than the terms which would otherwise be granted to independent third parties.

### ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps for the transactions contemplated under the Design and Construction Agreement for the three financial years ending 31 December 2018, 2019 and 2020, respectively, are as follows:

<b>For the year ending 31 December</b>		
<b>2018</b>	<b>2019</b>	<b>2020</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>62,000</u>	<u>100,000</u>	<u>20,000</u>



## **LETTER FROM THE BOARD**

Such annual caps are determined with reference to: (i) the estimated size and scale of the Design and Construction Services to be provided by Fruit Design; (ii) the expected manpower and materials required for the Design and Construction Services to be rendered by Fruit Design; (iii) the estimated progress of the Design and Construction Services; and (iv) the historical service fees or contract sums for the provision of comparable Design and Construction Services by the Group to independent third parties. As Land Ease has provided with the Group with a detailed requirements for the Design and Construction Services including the scope of the specific design, the gross floor area and construction floor area required for providing the Design and Construction Services as well as the proposed general building plans of the Works, the Group was able to determine the size and scale of the Design and Construction Services to be provided, the expected manpower required and the estimated amount of materials and goods required.

There was no previous transaction in relation to the provision of design and construction services by the Group to Land Ease.

The Group has provided similar design and construction services for proposed industrial developments in San Po Kong, Kwun Tong and Kwai Chung to independent third parties since 2015 and has charged a gross profit margins of 9.2% to 16.0%.

Based on the cost data available to the Group and analysis carried out by the project manager and quantity surveyors of the Group, it is expected that the Design and Construction Agreement would be able to generate a gross profit margin of approximately 18% to the Group.

In light of the above, the Directors confirm that the terms of the Design and Construction Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INTERNAL CONTROL**

The Group has adopted the following internal control measures with regard the Design and Construction Agreement:

- (i) A cost plan has been prepared for the Design and Construction Services which sets out the cost target. Such cost plan has been agreed between the project manager and the quantity surveyor of the Group. Execution of the Design and Construction Agreement, including subletting (if any), will be carried out in accordance with the cost plan;
- (ii) Actual expenses incurred and cash flow status will be monitored by the project team in an ongoing basis. Actual expenses incurred will be reported by the project team to the Directors and the senior management and the finance department. Revision to cost plan, which requires approval from a project director of the Group who is principally responsible for organisation, management and supervision of the Group's contracting project, and/or one of the Directors (other than Mr. Ng), may be made in

## LETTER FROM THE BOARD

order to control the cost target. To approve the revisions to cost plan, such revisions shall also (i) identify the causes of the increase in cost; and (ii) set out the measures to be taken to control of the cost; and

- (iii) Since Mr. Ng has a potential conflict of interest in the Design and Construction Services, Mr. Ng has not, and would not be involved in the execution, supervision and management of the Design and Construction Services.

The Board would review the effectiveness of the above-mentioned mechanisms on a regular basis. Based on the above, the Board believes that the above-mentioned methods and procedures can ensure the transactions under the Design and Construction Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

### **Annual review**

As required by the Listing Rules, the independent non-executive Directors will review the continuing connected transactions contemplated under the Design and Construction Agreement and confirm in the annual report of the Company whether the said transactions have been entered into in the ordinary and usual course of business of the Group; on normal or better commercial terms and in accordance with the relevant agreements governing the transactions; and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company undertakes to engage its auditors to report annually on the continuing connected transactions contemplated under the Design and Construction Agreement. The auditors will provide their view as to, inter alia, whether the transaction of Design and Construction Services, as set out in the “Pricing” section of this circular, were not, in all material respects, in accordance with the pricing policy of the Design and Construction Agreement and whether the continuing connected transactions contemplated under the Design and Construction Agreement had exceeded the annual cap.

## **GENERAL INFORMATION**

### **Information of the Group and the Company**

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; and (ii) consulting service for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong.

### **Information of Fruit Design**

Fruit Design is incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company. It is principally engaged in the contracting business and provision of building consultancy services.

## **LETTER FROM THE BOARD**

### **Information of Land Ease**

Land Ease is incorporated in Hong Kong with limited liability and is principally engaged in property development and project management.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group possesses the expertise and experience to deliver solutions that may add value to its projects. The Group is developing its contracting and consulting business by undertaking more projects for alteration and addition works as well as new building works.

By providing the Design and Construction Services to Land Ease, which is a new customer to the Group, the Group can further expand its contracting and consulting business and maintain its competitive edge over the competitors in the industry.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As at the date of this circular, Masterveyor is beneficially interested in 61,600,000 Shares and Mr. Ng beneficially owns the entire issued capital of Masterveyor. Mr. Ng is therefore deemed, or taken to be, interested in all 61,600,000 Shares held by Masterveyor for the purposes of the SFO. Mr. Ng is also the chief executive officer of the Company and an executive Director. Hence, Mr. Ng is a connected person of the Company under Chapter 14A of the Listing Rules.

As such, the Design and Construction Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios in respect of the annual caps of the transactions contemplated under the Design and Construction Agreement are more than 5%, such transactions are subject to reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will convene the EGM to seek approval of the Independent Shareholders for the Design and Construction Agreement and the transactions contemplated thereunder, including the proposed annual caps.

Mr. Ng has abstained from voting on the relevant board resolution of the Company in relation to the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps.

## **LETTER FROM THE BOARD**

Save as disclosed above, none of the Directors has a material interest in the Design and Construction Agreement and the transactions contemplated thereunder and none of them has abstained from voting on the relevant board resolutions of the Company.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps. VBG Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps.

### **EGM**

The Company will convene the EGM at 6th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong on Monday, 16 July 2018 at 11:00 a.m. to consider and if thought fit, approve the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps. The notice of EGM is set out on pages EGM-1 to EGM-2 of this circular. The voting on such resolution will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

Mr. Ng holds, through his controlled corporation, 5% of the issued share capital of the Company. Pursuant to the Listing Rules, Mr. Ng and his respective associates (if any) are required to abstain from voting on the resolution for approving the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps at the EGM. As at the Latest Practicable Date, Mr. Ng is directly and indirectly interested in an aggregate of 100% equity interest in Land Ease.

A proxy form is enclosed with this circular for Shareholder's use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon, and return it to the office of Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish.

### **CLOSURE OF REGISTER OF MEMBERS**

For determining the qualification as members of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 11 July 2018 to Monday, 16 July 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the

## LETTER FROM THE BOARD

Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 July 2018.

### RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee dated 27 June 2018 set out on pages 12 to 13 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps; and (ii) the letter from the Independent Financial Adviser dated 27 June 2018 as set out on pages 14 to 23 of this circular which contains the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Having taken into account the factors and reasons considered, and the opinion of the Independent Financial Adviser as stated in its letter, the Directors consider the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
By order of the Board  
**Dafy Holdings Limited**  
達飛控股有限公司  
**Gao Yunhong**  
*Chairman and executive Director*



**Dafy Holdings Limited**

**達飛控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1826)**

27 June 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO DESIGN AND CONSTRUCTION SERVICES**

We refer to the circular of the Company dated 27 June 2018 (the “**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. VBG Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps.

We wish to draw your attention to the letter from the Board set out on pages 4 to 11 of the Circular and the letter from the Independent Financial Adviser containing its advice to us and the Independent Shareholders regarding the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps set out on pages 14 to 23 of the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having considered the advice given by the Independent Financial Adviser, we are of the opinion that the terms of the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Design and Construction Agreement, the transactions contemplated thereunder and the proposed annual caps.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. Chan Yuk Sang**

**Mr. Wan Chi Wai Anthony**

**Mr. Lau Kwok Fai Patrick**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Design and Construction Agreement for the purpose of inclusion in the Circular.*



建泉融資有限公司  
VBG Capital Limited

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

27 June 2018

*To: The independent board committee and the independent shareholders  
of Dafy Holdings Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO DESIGN AND CONSTRUCTION AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Design and Construction Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 27 June 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

On 8 June 2018, Fruit Design entered into the Design and Construction Agreement with Land Ease, pursuant to which Fruit Design has agreed to provide the Design and Construction Services to Land Ease for the period commencing from the date upon which possession of the Land is handed over to Fruit Design and expiring after 600 calendar days or otherwise extended or terminated in accordance with the terms of the Design and Construction Agreement.

According to the Letter from the Board, the transactions contemplated under the Design and Construction Agreement constitute non-exempt continuing connected transactions for the Company, and are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Design and Construction Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Design and Construction Agreement is in the interests of the



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Design and Construction Agreement at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to (i) a mandatory unconditional cash offer to acquire all the issued shares of the Company which a composite document dated 15 December 2017 was issued; and (ii) the existing engagement in relation to the Design and Construction Agreement, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Design and Construction Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion with regard to the Design and Construction Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcement dated 8 June 2018 in relation to the Design and Construction Agreement and the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. Background of and reasons for the Design and Construction Agreement**

##### *Information on the Group and the Company*

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; and (ii) consulting service for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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Set out below is the audited consolidated financial information of the Group for the two years ended 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”):

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the year ended 31 December 2016 HK\$'000</b>
Total revenue	744,755	395,781
— Segment revenue of contracting service	686,196	333,372
Gross profit	73,448	66,481
— Gross profit of contracting service	63,298	43,399
Profit for the year	31,183	31,174

As depicted by the above table, during the year ended 31 December 2017, the Group’s revenue from contracting service amounted to approximately HK\$686.2 million, representing a substantial increase of approximately 105.8% as compared to that of the prior year. The contracting service segment has been the Group’s main source of revenue for the recent two financial years, contributing approximately 92.1% and 84.2% of the Group’s total revenue in 2017 and 2016, respectively. As referred to in the 2017 Annual Report, the increase in contracting service revenue was mainly due to increase in number of contracting projects with a larger contract sum for the year ended 31 December 2017.

As also depicted by the above table, while the net profit of the Group has stayed relatively stable in 2016 and 2017, its gross profit increased by approximately 10.5% from approximately HK\$66.5 million for the year ended 31 December 2016 to approximately HK\$73.4 million for the year ended 31 December 2017. Among which the gross profit of contracting service increased from approximately HK\$43.4 million for the year ended 31 December 2016 to approximately HK\$63.3 million for the year ended 31 December 2017. However, the gross profit margin of contracting service decreased from approximately 13.0% for the year ended 31 December 2016 to approximately 9.2% for the year ended 31 December 2017. As referred to in the 2017 Annual Report, the increase in gross profit but decrease in gross profit margin of contracting service was mainly driven by the increasing demand for the Group’s contracting service and the execution of few contracting projects with relatively low gross profit margin in 2017.

As discussed with the Directors and with reference to the 2017 Annual Report, the contracting service segment of the Group refers to the provision of services of alteration and addition works, maintenance, specialist works and new development, and thus it is expected that the transactions contemplated under the Design and Construction Agreement will generate additional revenue and profit for the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Information on Fruit Design*

As extracted from the Letter from the Board, Fruit Design is incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the contracting business and provision of building consultancy services.

### *Information on Land Ease*

As extracted from the Letter from the Board, Land Ease is incorporated in Hong Kong with limited liability and is principally engaged property development and project management.

### *Reasons for and possible benefits of the entering into of the Design and Construction Agreement*

As stated in the Letter from the Board, the Group possesses the expertise and experience to deliver solutions that may add value to its projects. The Group is developing its contracting and consulting business by undertaking more projects for alteration and addition works as well as new building works. By providing the Design and Construction Services to Land Ease, which is a new customer to the Group, the Group can further expand its contracting and consulting business and maintain its competitive edge over the competitors in the industry.

Moreover, as aforementioned, the contracting service segment of the Group, which refers to the provision of services of alteration and addition works, maintenance, specialist works and new development, has been the main source of revenue of the Group for the recent two financial years and it is expected that the transactions contemplated under the Design and Construction Agreement will generate additional revenue and profit for the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the satisfactory performance of the contracting service segment of the Group in terms of revenue and gross profit contribution as discussed under the section headed “Information on the Group and the Company” of this letter of advice; and (ii) the aforesaid reasons for and possible benefits of the entering into of the Design and Construction Agreement, we concur with the Directors that the entering into of the Design and Construction Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

### 2. Principal terms of the Design and Construction Agreement

#### *The Design and Construction Agreement*

The following table sets out the principal terms of the Design and Construction Agreement as extracted from the Letter from the Board:

Date:	8 June 2018
Parties:	(1) Fruit Design; and (2) Land Ease
Provision of the Design and Construction Services:	Under the Design and Construction Agreement, Fruit Design shall provide the Design and Construction Services to Land Ease.
Duration and Termination:	The Design and Construction Agreement is for the duration of 600 calendar days commencing from date upon which possession of the Land is handed over to Fruit Design or otherwise extended or terminated in accordance with the terms of the Design and Construction Agreement.
Pricing:	The amount of fees payable by Land Ease for the Design and Construction Services is HK\$182,000,000, which was determined after arm’s length negotiations between Land Ease and Fruit Design on normal commercial terms taking into account the following factors, including (i) complexity of site works and design works involved; (ii) the estimated amount of time and materials required and personnel to be involved; (iii) the payment term specified in the Design and Construction Agreement; (iv) reference price of similar projects completed by the Group before; and (v) any risk leading to extension of service period or additional payment. The Group has also made reference to various construction costs data published from time to time by different firms of quantity surveyors including Rider Levett Bucknall and Arcadis Hong Kong Limited.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment: Land Ease shall pay for the Design and Construction Services provided by Fruit Design. Payment will be made on a monthly basis with reference to the estimated value of the work properly carried out including any design work carried out by Fruit Design and of the materials and goods delivered to or adjacent to the Works for use thereon, which is similar to those offered to independent third parties in relation to similar contracting service rendered by the Group.

To further elaborate, the Design and Construction Services mean the services for design, the carrying out and completion of the construction of the industrial development to be constructed on the Land (i.e. the Works) in Kwun Tong, Hong Kong which is owned by the Target. Upon our enquiry with the Directors, we understand that Land Ease has already formulated and provided Fruit Design with the proposed general building plans of the Works as well as the detailed requirements for the Design and Construction Services including the scope of the specific design, the gross floor area and construction floor area required for providing the Design and Construction Services (the “**Construction Plan and Requirements**”). As a result, the Group is able to determine the size and scale of the Design and Construction Services to be provided, the expected manpower required and the estimated amount of materials and goods required. As stated above, the amount of fees payable by Land Ease for the Design and Construction Services of HK\$182,000,000 was determined primarily based on the estimated amount of work under the Design and Construction Agreement and the reference price of similar projects completed by the Group before. We have requested and obtained a copy of the Construction Plan and Requirements from the Company. We noted that the Construction Plan and Requirements include a comprehensive development proposal of the Land, taking into consideration its location, and gross and construction floor areas together with the specific design of the Works. Based on the Construction Plan and Requirements, the Group estimated the size and scale of the Design and Construction Services to be provided, the expected manpower required and the estimated amount of materials and goods required.

With regard to the total costs of provision of the Design and Construction Services, we noted that the Group has made reference to various construction costs data published from time to time by different firms of quantity surveyors including Rider Levett Bucknall and Arcadis Hong Kong Limited, such that the prices of the materials and goods under the Design and Construction Agreement are comparable to their respective market prices. Based on the cost data available to the Group and its budgeting analysis (the “**Budget**”), we understand from the Directors that they expect the Design and Construction Agreement to generate a gross profit margin of approximately 18% for the Group.

Upon our enquiry, the Directors also advised us that the Group has provided similar design and construction services for proposed industrial developments in San Po Kong, Kwun Tong and Kwai Chung, Hong Kong to independent third parties since 2015 (the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“I3P Projects”). From the budgeting analysis of the respective I3P Projects we obtained from the Company, we noted that the gross profit margins of the I3P Projects are around 9.2% to 16.0%, which are below that of the Design and Construction Agreement.

As for the payment terms of the Design and Construction Agreement, we were advised by the Directors that payment made on a monthly basis with reference to the estimated value of the work properly carried out is common market practice. In addition, we noted that such payment terms are similar to those offered to independent third parties in relation to comparable Design and Construction Services rendered by the Group in the I3P Projects.

Having taken into account all of the factors presented above, together with the internal guidelines and principles in place as illustrated under the section headed “Listing Rules’ requirements and internal control measures” below, we are of the opinion that the terms of the Design and Construction Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### *The proposed annual caps*

The following table sets out the proposed annual caps for the transactions contemplated under the Design and Construction Agreement for the three years ending 31 December 2018, 2019 and 2020, respectively:

<b>For the year ended 31 December</b>		
<b>2018</b>	<b>2019</b>	<b>2020</b>
<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
62,000	100,000	20,000

As stated in the Letter from the Board, each of the proposed annual caps has been determined with reference to (i) the estimated size and scale of the Design and Construction Services to be provided by Fruit Design; (ii) the expected manpower and materials required for the Design and Construction Services to be rendered by Fruit Design; (iii) the estimated progress of the Design and Construction Services; and (iv) the historical service fees or contract sums for the provision of comparable Design and Construction Services by the Group to independent third parties.

The previous sub-section of this letter of advice has demonstrated how the Group determined the amount of fees of HK\$182,000,000 payable by Land Ease for the Design and Construction Services under the Design and Construction Agreement. When setting the proposed annual caps for the three years ending 31 December 2018, 2019 and 2020, we understand that the Group has further considered the estimated progress of the Design and Construction Services during the said years concerned based on the construction schedule and the target completion dates of the development of the Land. It is currently expected that the construction of the Land will commence in July 2018 and complete in February 2020. Due to the fact that most of the Design and Construction Services will be

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

rendered by Fruit Design in 2019 while the construction will approach completion in early 2020, the proposed annual cap under the Design and Construction Agreement is the highest during 2019 but the lowest during 2020.

In view of the aforesaid basis of determination of the proposed annual caps and that the gross profit margin of the Design and Construction Agreement is higher than those of the I3P Projects, we are of the opinion that the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, Shareholders should note that proposed annual caps relate to future events and they do not represent a forecast of revenue to be generated from the transactions contemplated under the Design and Construction Agreement. Consequently, we express no opinion as to how closely the actual amounts to be generated from the transactions contemplated under the Design and Construction Agreement correspond with the proposed annual caps.

### **3. Listing Rules' requirements and internal control measures**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Design and Construction Agreement must be restricted by the proposed annual caps for the years concerned under the Design and Construction Agreement; (ii) the terms of the Design and Construction Agreement (together with the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Design and Construction Agreement (together with the proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Design and Construction Agreement are carried out in accordance with the pricing policies of the Company, and the proposed annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Design and Construction Agreement exceed the proposed annual caps, or that there is any material amendment to the terms of the Design and Construction Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Furthermore, upon discussion with the Directors, we are given to understand that, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following guidelines and principles to monitor the transactions contemplated under the Design and Construction Agreement:

- (i) a cost plan has been prepared for the Design and Construction Services which sets out the cost target. Such cost plan has been agreed between the project manager and the quantity surveyor of the Group. Execution of the Design and Construction Agreement, including subletting (if any), will be carried out in accordance with the cost plan;



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) actual expenses incurred and cash flow status will be monitored by the project team on an ongoing basis. Actual expenses incurred will be reported by the project team to the Directors and the senior management and the finance department. Revision to cost plan, which requires approval from a project director of the Group who is principally responsible for organisation, management and supervision of the Group's contracting project, and/or one of the Directors (other than Mr. Ng), may be made in order to control the cost target. To approve the revisions to cost plan, such revisions shall also (a) identify the causes of the increase in cost; and (b) set out the measures to be taken to control of the cost;
- (iii) since Mr. Ng has a potential conflict of interest in the Design and Construction Services, Mr. Ng has not, and would not be involved in the execution, supervision and management of the Design and Construction Services; and
- (iv) the Company, on best effort basis, will provide all necessary information for independent non-executive Directors and auditors to properly review the transactions contemplated under the Design and Construction Agreement annually.

In light of the above, we are of the view that the regulatory requirements under the Listing Rules and the additional guidelines and principles adopted by the Company are appropriate measures to govern the transactions contemplated under the Design and Construction Agreement and to safeguard the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Design and Construction Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Design and Construction Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Design and Construction Agreement, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**VBG Capital Limited**  
**Doris Sing**  
*Deputy Managing Director*

*Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. INTEREST IN SECURITIES

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

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

(i) *Long positions in the Shares or underlying Shares*

Name of Director/ Chief Executive	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Gao Yunhong (Note 1)	Interest of controlled corporation	862,400,000	70%
Mr. Ng Kin Siu (Note 2)	Interest of controlled corporation	61,600,000	5%

*Notes:*

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

## (ii) Long positions in the shares of the Company's associated corporation

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

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

**SUBSTANTIAL SHAREHOLDERS**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

## (i) Long positions in the Shares or underlying Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Gentle Soar Limited	Beneficial owner	862,400,000	Long	70%
Masterveyor	Beneficial owner	61,600,000	Long	5%
Ms. Wong Chai Lin ( <i>Note</i> )	Interest of spouse	61,600,000	Long	5%

*Note:* Ms. Wong Chai Lin is the spouse of Mr. Ng, the chief officer of the Company and an executive Director and the beneficial owner of Masterveyor and is deemed, or taken to be, interested in all the Shares in which Mr. Ng is interested for the purposes of the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at the Latest Practicable Date.

### **3. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors and their respective close associates were materially interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group and which require disclosure under Rule 8.10 of the Listing Rules.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2017 being the date to which the latest published audited consolidated financial statements of the Company were made up and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

### **6. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

### **7. LITIGATION**

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

**8. QUALIFICATION AND CONSENTS OF EXPERT**

- (a) The following is the qualification of the expert who gave opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
VBG Capital Limited (“VBG”)	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, Chapter 571 of the Laws of Hong Kong

- (b) As at the Latest Practicable Date, VBG did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct and indirect interests in any assets which have since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) VBG has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), opinion(s) and references to its name in the form and context in which it appears respectively included.

**9. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the Design and Construction Agreement is available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 6th Floor, The Sun’s Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong on weekdays (Saturdays and public holidays excepted) for 14 days from the date of this circular.

**NOTICE OF EXTRAORDINARY GENERAL MEETING**



**Dafy Holdings Limited**  
**達飛控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1826)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Dafy Holdings Limited (the “Company”) to be held at 6th Floor, The Sun’s Group Centre, 200 Gloucester Road, Wanchai, Hong Kong on Monday, 16 July 2018 at 11:00, for the purpose of considering and, if thought fit, passing the following ordinary resolution:

**ORDINARY RESOLUTION**

1. “**THAT:**

- (a) the Design and Construction Agreement (as defined and described in the circular to the shareholders of the Company dated 27 June 2018 (the “Circular”) and the transactions contemplated thereunder and the proposed annual caps under the Design and Construction Agreement (a copy of the Design and Construction Agreement is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) be and are hereby confirmed, approved and ratified; and
- (b) any one director of the Company be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in and for completion of the Design and Construction Agreement or any of the amendments or supplemental agreements to the Design and Construction Agreement.”

Yours faithfully,  
By order of the Board  
**Dafy Holdings Limited**  
達飛控股有限公司  
**Gao Yunhong**  
*Chairman and executive Director*

Hong Kong, 27 June 2018

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Registered Office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*  
6th Floor, The Sun's Group Centre  
200 Gloucester Road  
Wan Chai  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy thereof must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or at any adjournment thereof if you so wish. In such event, the form of proxy shall be deemed to be revoked.
3. For determining the qualification as members of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 11 July 2018 to Monday, 16 July 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 July 2018.
4. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the website of the Company at [www.dafy.com.hk](http://www.dafy.com.hk) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify members of the Company of the date, time and place of the re-scheduled EGM.