



**旭通控股**  
STEERING HOLDINGS

**Steering Holdings Limited**

**旭通控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1826

**2020**

INTERIM REPORT

中期業績報告

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Wang Jing (*Chairman*)  
(appointed on 20 February 2020)  
Mr. Gao Yunhong (re-designated to  
non-executive Director on  
20 February 2020)  
Ms. Feng Xuelian  
Mr. Ng Kin Siu  
(*Chief executive officer*)

### Non-executive Director

Mr. Gao Yunhong (re-designated from  
executive Director on  
20 February 2020)

### Independent non-executive Directors:

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

## COMPANY SECRETARY

Mr. Lee Chi Yung  
(appointed on 18 May 2020)  
Mr. Yu Tsz Ngo  
(resigned on 18 May 2020)

## HONG KONG LEGAL ADVISER

Stevenson, Wong & Co. in association  
with AllBright Law Offices

## AUTHORISED REPRESENTATIVES

Mr. Ng Kin Siu  
Mr. Lee Chi Yung  
(appointed on 18 May 2020)  
Mr. Yu Tsz Ngo  
(resigned on 18 May 2020)

## AUDIT COMMITTEE

Mr. Lau Kwok Fai Patrick (*Chairman*)  
Mr. Chan Yuk Sang  
Mr. Wan Chi Wai Anthony

## REMUNERATION COMMITTEE

Mr. Wan Chi Wai Anthony (*Chairman*)  
Mr. Gao Yunhong  
Mr. Chan Yuk Sang

## NOMINATION COMMITTEE

Mr. Wang Jing (*Chairman*)  
(appointed on 20 February 2020)  
Mr. Gao Yunhong  
(resigned on 20 February 2020)  
Ms. Feng Xuelian  
Mr. Chan Yuk Sang  
Mr. Wan Chi Wai Anthony  
Mr. Lau Kwok Fai Patrick

## AUDITORS

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

**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**

Room 3601, China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

Conyers Trust Company (Cayman)  
Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKERS**

China Merchants Bank  
Bank of Communications  
The Hongkong and Shanghai Banking  
Corporation Limited

**WEBSITE ADDRESS**

[www.steering.com.hk](http://www.steering.com.hk)

**STOCK CODE**

01826



## FINANCIAL HIGHLIGHTS

The Board of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

	For the six months ended 30 June		
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	Change %
Revenue	213,581	640,857	(66.7%)
Gross (loss)/profit	(17,579)	353,749	N/A
(Loss)/Profit attributable to owners of the Company	(99,250)	86,090	N/A
(Loss)/Earnings per share	(HK7.5 cents)	HK7.0 cents	N/A

- The Group’s revenue amounted to approximately HK\$213.6 million for the Relevant Period, representing an decrease of approximately HK\$427.3 million or approximately 66.7% as compared with the six months ended 30 June 2019.
- The loss attributable to owners of the Company is approximately HK\$99.3 million for the Relevant Period, as compared with profit attributable to owners of the Company of HK\$86.1 million for the six months ended 30 June 2019.
- The Board does not recommend the payment of an interim dividend for the Relevant Period.

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

For the six months ended 30 June 2020

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>213,581</b>	640,857
Cost of services		<b>(231,160)</b>	(287,108)
Gross (loss)/profit		<b>(17,579)</b>	353,749
Other income	5A	<b>19,957</b>	211
Other gains and losses	5B	<b>10,819</b>	125
Impairment losses, net of reversal	5C	<b>(133,055)</b>	(57,016)
Administrative expenses		<b>(47,595)</b>	(46,741)
Finance costs	6	<b>(1,487)</b>	(1,554)
(Loss)/profit before tax	7	<b>(168,940)</b>	248,774
Income tax credit/(expenses)	8	<b>16,164</b>	(66,599)
(Loss)/profit for the period		<b>(152,776)</b>	182,175
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income		<b>2,892</b>	(17,355)
Exchange difference on translation from functional currency to presentation currency		<b>(8,488)</b>	979
		<b>(5,596)</b>	(16,376)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(177)</b>	(207)
Other comprehensive expense for the period		<b>(5,773)</b>	(16,583)
Total comprehensive (expense)/income for the period		<b>(158,549)</b>	165,592

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
<i>Note</i>		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
(Loss)/profit for the period attributable to:			
		<b>(99,250)</b>	86,090
		<b>(53,526)</b>	96,085
		<b>(152,776)</b>	182,175
Total comprehensive (expense)/income for the period attributable to:			
		<b>(103,108)</b>	69,457
		<b>(55,441)</b>	96,135
		<b>(158,549)</b>	165,592
(Loss)/earnings per share, basic (HK cents)	<i>10</i>	<b>(7.5)</b>	7.0

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		3,514	4,079
Intangible assets		5,266	5,763
Right-of-use assets		5,015	7,227
Equity instruments at fair value through other comprehensive income	11	22,589	19,697
Deferred tax assets		68,041	51,780
		<b>104,425</b>	<b>88,546</b>
<b>Current assets</b>			
Trade and other receivables	12	368,744	512,152
Contract assets	13	105,537	141,067
Financial assets at fair value through profit or loss ("FVTPL")	14	35,034	24,683
Tax recoverable		2,857	4,470
Pledged bank deposits		28,502	36,316
Bank balances and cash		42,413	171,039
		<b>583,087</b>	<b>889,727</b>
<b>Current liabilities</b>			
Trade and other payables	15	183,117	297,754
Contract liabilities	16	34,700	37,623
Amounts due to shareholders	18	16,756	15,503
Lease liabilities		3,276	6,818
Tax liabilities		113,608	123,083
Bank overdrafts and bank borrowings	17	47,337	52,600
		<b>398,794</b>	<b>533,381</b>
<b>Net current assets</b>		<b>184,293</b>	<b>356,346</b>
<b>Total assets less current liabilities</b>		<b>288,718</b>	<b>444,892</b>

		<b>30 June 2020</b>	31 December 2019
	<i>Note</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>16,278</b>	16,278
Lease liabilities		<b>1,958</b>	425
		<b>18,236</b>	16,703
<b>Net assets</b>			
		<b>270,482</b>	428,189
<b>Capital and reserves</b>			
Share capital	19	<b>13,320</b>	13,320
Reserves		<b>141,823</b>	244,931
Equity attributable to owners of the Company		<b>155,143</b>	258,251
Non-controlling interests		<b>115,339</b>	169,938
<b>Total equity</b>			
		<b>270,482</b>	428,189

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company						Non-controlling		Total
	Share capital	Share premium	Other reserve	Translation reserve	Investment revaluation reserve	Retained earnings	Total interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	12,320	21,440	1,000	(37)	(5,234)	107,485	136,974	30,685	167,659
Profit for the period	-	-	-	-	-	86,090	86,090	96,085	182,175
Other comprehensive income/(expense) for the period	-	-	-	722	(17,355)	-	(16,633)	50	(16,583)
Total comprehensive income/(expense) for the period	-	-	-	722	(17,355)	86,090	69,457	96,135	165,592
At 30 June 2019 (unaudited)	12,320	21,440	1,000	685	(22,589)	193,575	206,431	126,820	333,251
At 1 January 2020 (audited)	13,320	145,939	1,000	242	(30,303)	128,053	258,251	169,938	428,189
Loss for the period	-	-	-	-	-	(99,250)	(99,250)	(53,526)	(152,776)
Other comprehensive income/(expense) for the period	-	-	-	(6,750)	2,892	-	(3,858)	(1,915)	(5,773)
Total comprehensive income/(expense) for the period	-	-	-	(6,750)	2,892	(99,250)	(103,108)	(55,441)	(158,549)
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	842	842
At 30 June 2020 (unaudited)	13,320	145,939	1,000	(6,508)	(27,411)	28,803	155,143	115,339	270,482

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
OPERATING ACTIVITIES		
(Loss)/profit before tax	<b>(168,940)</b>	248,774
Adjustments for:		
Depreciation of property, plant and equipment	<b>1,144</b>	1,670
Depreciation of right-of-use assets	<b>7,106</b>	9,282
Amortisation of intangible assets	<b>385</b>	–
Impairment losses, net of reversal	<b>133,055</b>	57,016
Gain from change in fair value of financial assets at FVTPL	<b>(10,990)</b>	–
Other non-cash adjustments	<b>1,137</b>	1,481
Operating cash flows before movements in working capital	<b>(37,103)</b>	318,223
Decrease/(increase) in trade and other receivables	<b>10,353</b>	(266,875)
Decrease/(increase) in contract assets	<b>35,530</b>	(76,579)
(Decrease)/increase in trade and other payables	<b>(116,828)</b>	41,867
Decrease in contract liabilities	<b>(2,923)</b>	(8,321)
Other operating cash flows	<b>(5,765)</b>	294
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<b>(116,736)</b>	8,609

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at FVTPL	<b>165</b>	–
Acquisition of subsidiaries	<b>(132)</b>	–
Purchase of property, plant and equipment	<b>(858)</b>	(193)
Withdrawal of pledged bank deposits	<b>7,814</b>	9,365
Placement of pledged bank deposits	–	(7,566)
Interest received	<b>206</b>	75
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>7,195</b>	1,681
<b>FINANCING ACTIVITIES</b>		
Interest paid	<b>(1,377)</b>	(1,554)
Bank borrowings raised	<b>44,811</b>	52,700
Repayment of bank borrowings	<b>(50,400)</b>	(49,871)
Repayment of lease liabilities	<b>(6,601)</b>	(9,162)
Capital contribution by non-controlling shareholders of subsidiaries	<b>842</b>	–
Advances from shareholders	<b>1,253</b>	17,432
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(11,472)</b>	9,545
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(121,013)</b>	19,835
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	<b>171,040</b>	21,996
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(7,940)</b>	385
	<b>42,087</b>	42,216
<b>CASH AND CASH EQUIVALENTS AS AT 30 JUNE, represented by</b>		
Bank balances and cash	<b>42,413</b>	47,087
Bank overdrafts	<b>(326)</b>	(4,871)
	<b>42,087</b>	42,216



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 1. CORPORATE INFORMATION

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

The Company’s immediate holding company is Gentle Soar Limited (“**Gentle Soar**”), a company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Gao Yunhong (“**Mr. Gao**”), who was the chairman and executive director of the Company. On 20 February 2020, Mr. Gao stepped down from the position of chairman and was re-designated as a non-executive director of the Company. On the same date, Mr. Wang Jing was appointed as the chairman and an executive director of the Company.

On 9 April 2020, the Company’s official registered English name was changed from “Dafy Holdings Limited” to “Steering Holdings Limited” and its Chinese name from “達飛控股有限公司” to “旭通控股有限公司”. The stock short name for trading in the shares of the Company on the Stock Exchange has been changed from “DAFY HOLDINGS” to “STEERING HLDGS” in English and from “達飛控股” to “旭通控股” in Chinese with effect from 11 May 2020.

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

Since the rapid expansion of the Group’s financial information and technology service business in 2019, the directors of the Company consider that the primary economic environment in which the Company operates has changed, and therefore the functional currency of the Company has changed to Renminbi (“**RMB**”) with effect from 1 January 2019.

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

## 2. BASIS OF PREPARATION

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

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Going Concern

The Group recorded a net loss of approximately HK\$152.8 million for the Relevant Period (2019: net profit of approximately HK\$182.2 million) which may have a considerable impact on the liquidity position of the Group.

In addition, any potential liabilities or obligations arising from the Strengthened Credit Measures of the construction segment together with COVID-19 outbreak as disclosed on page 30 of the business review and outlook section of this report may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

1. The Company has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group;
2. The Group has received a written confirmation dated 31 July 2020 from Mr. Gao, who is a controlling shareholder of the Company through his interest in Gentle Soar, that he will provide financial support to the Group in the following 18 months on a going concern basis. Such assistance to be received by the Group will not be secured by any assets of the Group;
3. The Group has taken measures to tighten cost control over expenses, manage and expedite receivables and negotiate a compromise with creditors with the view to achieve positive cash flow from operations; and
4. The Group may consider disposing its non-core business and/or financial assets if required.

The validity of the going concern assumption on which the condensed consolidated financial statements are prepared is dependent on the development and outcome of the steps taken by the management of the Company as described above. After taking into account the additional working capital which may be obtained as a result of the above steps and its available internal resources, the Directors of the Company believe that the Group will have sufficient working capital for at least 12 months from the date of this report. Therefore, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to recognise further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than adoption of new accounting policies and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

#### **Adoption of new accounting policies**

##### ***Accounting policies newly applied by the Group***

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

##### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

##### ***Application of new and amendments and interpretation to HKFRSs***

In the current interim period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

#### 4. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

- Contracting business and project management (“**Contracting service**”)
- Provision of building consultancy services (“**Consultancy service**”)
- Provision of financial information and technology services (“**Financial information and technology service**”)

##### Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2020

	<b>Contracting service</b>	<b>Consultancy service</b>	<b>Financial information and technology service</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Types of service</b>			
Construction	172,119	–	–
Consultancy	–	26,196	–
Provision of financial information and technology services			
Pre-loan service	–	–	15,266
Post-loan service	–	–	–
<b>Total</b>	<b>172,119</b>	<b>26,196</b>	<b>15,266</b>
<b>Geographical markets</b>			
Hong Kong	172,119	26,196	–
Mainland China	–	–	15,266
<b>Total</b>	<b>172,119</b>	<b>26,196</b>	<b>15,266</b>
<b>Timing of revenue recognition</b>			
A point in time	–	–	15,266
Over time	172,119	26,196	–
<b>Total</b>	<b>172,119</b>	<b>26,196</b>	<b>15,266</b>

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

##### Disaggregation of revenue from contracts with customers (Continued)

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

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

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

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

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

##### For the six months ended 30 June 2020

	Contracting service HK\$'000 (Unaudited)	Consultancy service HK\$'000 (Unaudited)	Financial information and technology service HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE				
Segment revenue	172,119	26,196	15,266	213,581
Segment (loss)/profit	(20,625)	2,853	(127,975)	(145,747)
Unallocated income				19,957
Unallocated expenses				(43,150)
Loss before tax				(168,940)

##### For the six months ended 30 June 2019

	Contracting service HK\$'000 (Unaudited)	Consultancy service HK\$'000 (Unaudited)	Financial information and technology service HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE				
Segment revenue	171,172	26,497	443,188	640,857
Segment profit	5,076	7,437	284,220	296,733
Unallocated income				338
Unallocated expenses				(48,297)
Profit before tax				248,774

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

#### 5A. OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	206	75
Government grants*	14,864	–
Others	4,887	136
	<b>19,957</b>	<b>211</b>

\* This government grants which represent rewards to certain subsidiaries of the Company located in the PRC with no further obligations and conditions to be complied with.

#### 5B. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net foreign exchange losses	(33)	–
Loss on disposal of property, plant and equipment	(138)	(2)
Gain from change in fair value of financial assets at FVTPL	10,990	–
Gain from disposal of a subsidiary	–	127
	<b>10,819</b>	<b>125</b>

## 5C. IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Impairment losses recognised on:*		
— Trade receivables	57,776	49,753
— Retention receivables	7,236	–
— Other receivables	34,791	–
— Contract assets	8,565	7,263
— Deposits to a credit service provider and a financial institution	7,868	–
— Other receivables from a credit service provider	16,819	–
	<b>133,055</b>	<b>57,016</b>

\* For the impairment losses, net of reversal, HK\$26.7 million was credit impaired, and the remaining balances HK\$106.4 million were non-credit impaired.

## 6. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings	1,072	1,155
Bank overdrafts	17	12
Advance from customers	289	–
Lease liabilities	109	387
	<b>1,487</b>	<b>1,554</b>



## 7. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(Loss)/profit before tax has been arrived at after charging:		
Directors' emoluments	2,008	2,208
Salaries and other allowances	53,796	86,273
Retirement benefit scheme contributions, excluding those of directors	3,794	6,684
Total staff costs	59,598	95,165
Depreciation of property, plant and equipment	1,144	1,670
Depreciation of right-of-use assets	7,106	9,282
Amortisation of intangible assets	385	–
Net foreign exchange loss	33	–
Loss on disposal of property, plant and equipment	138	2

## 8. INCOME TAX (CREDIT)/EXPENSES

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	(9)	–
PRC Enterprise Income Tax	106	80,623
	97	80,623
Deferred tax		
— origination and reversal of temporary differences, net	(16,261)	(14,024)
Income tax (credit)/expenses	(16,164)	66,599

No Hong Kong profits tax has been provided as the Group has no assessable profits arising in Hong Kong during the Relevant Period.

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

## 9. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 2019. The directors of the Company have determined that no dividend will be paid in respect of the interim periods.

## 10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>(Loss)/earnings:</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit attributable to owners of the Company)	(99,250)	86,090

	Six months ended 30 June	
	2020 '000	2019 '000
<b>Number of shares:</b>		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	1,332,000	1,232,000

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

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Listed investments		
— Equity securities listed in Hong Kong (Note)	22,589	19,697

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

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables ( <i>Note a</i> )	361,493	390,031
Less: allowance for credit losses	(236,061)	(178,285)
	<b>125,432</b>	211,746
Retention receivables ( <i>Note b</i> )	19,404	21,662
Less: allowance for credit losses	(7,925)	(689)
	<b>11,479</b>	20,973
Other receivables, deposits and prepayments		
— Deposits to a credit service provider and a financial institution ( <i>Note c</i> )	48,859	49,794
Less: allowance for credit losses	(13,108)	(5,212)
	<b>35,751</b>	44,582
— Other receivables from a credit service provider ( <i>Note d</i> )	111,793	177,689
Less: allowance for credit losses	(35,516)	(18,600)
	<b>76,277</b>	159,089
— Prepayment	95,053	43,882
— Sundry deposits	4,800	4,917
— Accounts receivables in custodian ( <i>Note e</i> )	667	1,688
— Other receivables	19,285	25,275
	<b>119,805</b>	75,762
	<b>368,744</b>	512,152

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) Included in the trade receivables as at 30 June 2020, approximately HK\$17,435,000 (31 December 2019: HK\$20,711,000) are due from Land Ease Limited (“**Land Ease**”). The trade receivables due from Land Ease as at 30 June 2020 and 31 December 2019 are all aged within 30 days, based on certificate/invoice dates.
- (b) Retention money in relation to completed projects of approximately HK\$9,206,000 (31 December 2019: HK\$11,440,000) were unbilled as at 30 June 2020. The Group has unconditional right to the payment of the unbilled retention receivables which is expected to be billed within 12 months from the end of the reporting period.
- (c) During the year 2019, the Group paid deposits of approximately RMB35,735,000 (equivalent to approximately HK\$39,946,000) and RMB8,804,000 (equivalent to approximately HK\$9,848,000) to a credit service provider and a financial institution, respectively. Both parties are independent to the Group. The deposits were calculated based on a fixed percentage of the amounts of loans distributed to the borrowers through the credit service provider or the financial institution. The deposits will be released upon the relevant loans becoming matured. The loan periods are within 3 months to 1 year. As at 30 June 2020, the carrying amount of the deposits was approximately HK\$48,859,000, net of allowance of credit losses of approximately HK\$13,108,000.
- (d) During the year 2019, the Group provided an amount of approximately RMB158,929,000 (equivalent to approximately HK\$177,689,000) to a credit service provider, who is independent to the Group, as part of the business cooperation between the Group and the credit service provider. The amount is unsecured, interest-free and repayable on demand. As at 30 June 2020, the carrying amount of the other receivables was approximately HK\$111,793,000, net of allowance of credit losses of approximately HK\$35,516,000.
- (e) Balance represents revenue collected by custodian on behalf of the Group for service fee earned from individual borrowers in the financial information and technology service business. The balance will be transferred back to the bank accounts of the Group upon the Group’s instructions.

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

	<b>30 June 2020 HK\$’000 (Unaudited)</b>	31 December 2019 HK\$’000 (Audited)
Trade receivables:		
1–30 days	49,911	86,595
31–60 days	9,957	25,316
61–90 days	907	20,307
91–180 days	6,901	47,130
Over 180 days	57,756	32,398
	<b>125,432</b>	<b>211,746</b>

### 13. CONTRACT ASSETS

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Contracting service ( <i>Note</i> )	105,537	131,132
Financial information and technology service	–	9,935
	<b>105,537</b>	<b>141,067</b>

*Note:* As at 30 June 2020, contract assets of approximately HK\$8,949,000 (unaudited) (31 December 2019: HK\$13,675,000 (audited)) are due from a related party, Land Ease, a company wholly-owned by Mr. Ng Kin Siu, an executive director of the Company.

As at 30 June 2020, included in contract assets are retention held by customers for contract works amounted to approximately HK\$35,648,000 (unaudited) (31 December 2019: HK\$40,970,000 (audited)), in which approximately HK\$8,949,000 (unaudited) (31 December 2019: HK\$9,675,000 (audited)) are retention held by Land Ease. The retention money were expected to be recovered or settled in more than twelve months from the end of the reporting period.

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

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Equity securities listed in the PRC ( <i>Note</i> )	35,034	24,683

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

## 15. TRADE AND OTHER PAYABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables	27,316	147,789
Retention payables (Note a)	41,877	46,600
Accrued subcontracting charges	65,656	58,087
Accrued operating expenses (Note b)	48,268	45,278
	<b>183,117</b>	<b>297,754</b>

Notes:

- (a) In accordance with the normal practice of the industry, a certain percentage of contract sums is usually withheld by the Group as retention money for a period of one to two years after the works of subcontractors have been completed.
- (b) Included in the balance as at 30 June 2020, there is an amount due to 達飛雲貸科技(北京)有限公司 (Dafy Yundai Technology (Beijing) Co., Ltd.) (“**Dafy Yundai**”) of approximately HK\$1,569,000 (unaudited) (31 December 2019: HK\$2,114,000 (audited)). The amount due to Dafy Yundai which is controlled by Mr. Gao is rental expenses payable in respect of hardware and software system.

Included in the balance as at 30 June 2020, there is an amount due to 深圳達飛科技控股有限公司 (Shenzhen Dafy Technology Holding Co., Ltd.) (“**Shenzhen Dafy**”) of approximately HK\$6,617,000 (unaudited) (31 December 2019: HK\$6,747,000 (audited)) for the purchase of risk management and operations management system from Shenzhen Dafy and other operating expenses paid by Shenzhen Dafy on behalf of the Group.

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

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables:		
1–30 days	14,739	61,531
31–60 days	665	23,374
61–90 days	147	27,288
Over 90 days	11,765	35,596
	<b>27,316</b>	<b>147,789</b>

## 16. CONTRACT LIABILITIES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Deposits from customers	34,700	36,594
Advances from customers	–	1,029
	<b>34,700</b>	<b>37,623</b>

## 17. BANK OVERDRAFTS AND BANK BORROWINGS

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Carrying amount of bank overdrafts and bank borrowings that are repayable on demand or within one year (shown under current liabilities)	<b>47,337</b>	<b>52,600</b>

As at 30 June 2020 and 31 December 2019, the Group entered into various borrowings with banks, mainly to finance its business operations. Such borrowings had been secured by the pledged bank deposits.

As at 30 June 2020, the Group's variable-rate bank borrowings are all (31 December 2019: all) denominated in Hong Kong Dollar and carry interest at rates ranging from Hong Kong Dollar Best Lending Rate ("HIBOR") plus 2.7% to HIBOR plus 2.75% per annum (31 December 2019: from HIBOR plus 2.7% to HIBOR plus 3.0% per annum).

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follow:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Variable-rate per annum: Bank borrowings	<b>3.18%–3.23%</b>	5.39%–5.69%

## 18. AMOUNTS DUE TO SHAREHOLDERS

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

## 19. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2019	1,232,000,000	12,320
Shares issued upon exercise of convertible bonds	100,000,000	1,000
At 31 December 2019 and 30 June 2020	1,332,000,000	13,320

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique and key input
	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)		
Listed equity securities at FVTOCI	22,589	19,697	Level 1	Quoted bid prices in an active market
Listed equity securities at FVTPL	35,034	24,683	Level 2	Quoted bid prices in NEEQ

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

## 21. SURETY BONDS AND CONTINGENT LIABILITY

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

As at 30 June 2020, the outstanding amount of surety bonds of the Group was approximately HK\$19,268,000 (unaudited) (31 December 2019: HK\$40,208,000 (audited)).



## 22. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following material transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 <i>HK\$'000</i> (Unaudited)
Shenzhen Dafy Short term lease payment/rental expense in respect of risk management and operations management system	–	928
Dafy Yundai Short term lease payment/rental expense in respect of hardware and software system	<b>952</b>	1,101
深圳前海微遠至誠運營管理科技有限公司 (Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd.) (“OPCO”) Short term lease payment in respect of risk management and operations management system	–	202
Land Ease Contracting service income	<b>18,277</b>	36,445

During the current interim period, the Group provides financial information and technology services which link up individual users in the PRC to obtain financing from the investors who have registered on the electronic funding platforms of a related party of the Group.

### (b) Compensation of key management personnel

The directors are identified as key management members of the Company, and their compensation during the periods were set out as follows.

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 <i>HK\$'000</i> (Unaudited)
Salaries and other allowances	<b>1,999</b>	2,199
Retirement benefit scheme contributions	<b>9</b>	9
	<b>2,008</b>	2,208

## 23. EVENT AFTER REPORTING PERIOD

Except as disclosed in pages 57 to 58 under the heading ‘Event after reporting period’ and elsewhere in this report, there was no significant event taken place subsequent to 30 June 2020 and up to the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

### **Construction segment**

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

### **Financial information and technology services segment**

This segment involved the provision of financial information and technology services to individuals in the PRC with the aim to changing consumer habits through providing a wide range of financial products or services to improve customers' accessibility of financials services. The Group will act as a financial intermediary to leverage on risk management and operations management's systems and other related technologies to analyse big data, assess risk levels, and match the financial needs of services providers and consumers by adopting artificial intelligence.

## BUSINESS REVIEW AND OUTLOOK

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

With the outbreak of coronavirus pandemic (the “**COVID-19**”) in the first quarter of 2020, the economic activities during the first half of the year in the PRC and Hong Kong were severely affected due to implementation of travel restrictions and social distancing measures which disrupted supply chains and changed consumption habits. The lockdowns have negatively affected the consumer market in the PRC with many workers facing layoffs, pay cuts and furloughs. On the other hand, consumption habits are seen to have shifted online, which in turn alleviated the downside effects on consumption and boosted online retail sales.

The business operation of the Group has been affected by the COVID-19 outbreak during the Relevant Period. Some of the customers’ repayments are in unexpected arrears. In addition, travel restrictions in the PRC have resulted in difficulties for some of the Group’s employees to report duty, which has adversely affected the operational efficiency of the Group. The Company expects that the situation will improve gradually as soon as the pandemic becomes under control.

### **Construction segment**

The Board has been informed by the financing banks of the Group that due to the high risk profile of the Group’s financial information and technology service as well as unsatisfactory financial performance of the Group, the financing banks have adopted strengthened credit measures (the “**Strengthened Credit Measures**”) towards the Group and tightened the credit control over the Group, including but not limited to accelerating loan repayments and reducing the credit facility limits. As a result of the Strengthened Credit Measures, the Group has repaid HK\$47.5 million being part of the accelerated loan repayments as at the date of this report and a sum of approximately HK\$9 million is due to be repaid by the end of 2020. It is therefore expected that the Strengthened Credit Measures will have substantial impact on the operation of the contracting and consultancy services of the Group which may further cast doubt on certain subsidiaries’ ability to continue as a going concern with regard to the contracting and consultancy services. Having said the above, the Company will endeavour to continue the operation of the contracting service business, while it will consider to streamline the existing Group structure by disposing of its non-core business and/or financial assets to solidify the financial position of the Group.

## Financial information and technology services segment

The Group has tapped into financial information and technology services segment in the last quarter of 2018 to diversify the Group's portfolio and expand its operations into China by developing a range of high integrity and user-friendly platforms to serve the financial services users in the PRC. In the long run, the Group will continue to develop its business in this segment through enhancing customers' experiences and developing new channels to become a nationwide enterprise with diverse value-added products in the financial service industry.

The Company is currently exploiting profitable business models by working with different types of strategic partners in the "loan facilitation" (助貸) services in the PRC. Currently, the Company adopts (i) the "business security model" (業務押金模式), where a certain amount of security deposit is provided to the Financial Service Provider to secure the Company's performance under the relevant contracts, and (ii) the "credit trust model" (信任模式), where no security deposit or other pledged asset is involved. With the expansion of the financial information and technology services in the PRC and an increasing competitiveness of the market, the "business security model" has become a common practice in the market as financial service providers could better manage their risks and safeguard their interest in the event of default of payment by borrowers.

The fintech related industry in the PRC has been booming over the past few years. The global consumer adoption of fintech services has surged steadily from 16% in 2015 to 64% in 2019 while China's small and medium-sized enterprises ("SMEs") adoption rate was the highest compared with other countries at 61% according to the EY's Global FinTech Adoption index. In August 2019, the central bank of China has issued a three-year development plan to improve the quality of financial services, strengthen regulation on technology-driven innovations, and prevent systemic financial risks which could improve the operating environment of the fintech related industry in the PRC.

Nevertheless, the financial information and technology services segment faces headwinds in 2020 amid the pandemic-induced economic downturn in which the Company confronts higher credit risks as consumer finance and SMEs were seriously affected. Credit cycle has been frozen as borrowers and lenders were increasingly wary of making loans until the pandemic passes and the economy fully restarts, leading to a plunge in the usage of the Group's financial information and technology services in the first half of the year. In addition, in response to the impact of COVID-19 on the Group's operations, the Group is considering to reposition its business models by expanding its platform's services to debt collection and non-performance assets management, where the Group provides services to credit services providers as a financial intermediary. The Board believes that, by providing a broader range of financial services, the Group would enlarge its customers base and reduce credit risk exposure. For instance, the Group is carrying out feasibility study in setting up a one-stop non-performing assets management services platform with the aim to improve operating efficiency of non-performing asset management and debt collection in the second half of the year. It is also expected that the repositioning, if materialised, will improve the cash flow and liquidity positions of the Group since the new services will reduce the Group's reliance on the consumer market in China. The Company will closely monitor market situations and adjust its strategies as and when needed. In addition, the Group has strengthened cost control and resources management including retrenchment of certain employees in respect of the Group's financial information and technology services segment and putting certain of them on furlough. The Company will keep track of its capital requirements and maintain a continuous dialogue with its stakeholders, including bankers, major shareholders and potential investors in Hong Kong and China, to ensure that future funding, if needed, can be secured in a timely manner.

## FINANCIAL REVIEW

### Financial Performance

During the Relevant Period, due to the slow-down of economy in the PRC and Hong Kong and the outbreak of COVID-19, the revenue of the Group decreased by approximately HK\$427.3 million or 66.7% to approximately HK\$213.6 million (2019: HK\$640.9 million). The Group recorded a gross loss of approximately HK\$17.6 million (2019: gross profit of approximately HK\$353.7 million). During the Relevant Period, the Group recognised impairment losses on trade and other receivables of approximately HK\$133.1 million (2019: HK\$57.0 million). As a result, the Group recorded a net loss for the Relevant Period of approximately HK\$152.8 million (2019: net profit of approximately HK\$182.2 million).

### Construction segment

The revenue from contracting services increased by approximately HK\$0.9 million or 0.5% from approximately HK\$171.2 million for the six months ended 30 June 2019 to approximately HK\$172.1 million for the Relevant Period. The revenue from contracting services remained at a similar level as compared with previous period.

The contracting services made a gross loss of approximately HK\$17.4 million for the Relevant Period (2019: gross profit of approximately HK\$6.0 million) and recorded a gross loss margin of 10.1% for the Relevant Period (2019: gross profit margin of 3.5%).

The gross loss of contracting services was mainly due to (i) the decrease in gross profit of our top five projects in terms of the contract size; and (ii) high costs of the project team and operating team incurred in maintaining competitiveness of the Group in the tender bidding of other projects in the coming years.

The revenue from consultancy services remained at approximately HK\$26.2 million (2019: HK\$26.5 million) for the Relevant Period.

The gross profit of consultancy services decreased by approximately HK\$4.1 million or 55.4% from approximately HK\$7.4 million for the six months ended 30 June 2019 to approximately HK\$3.3 million for the Relevant Period, and the gross profit margin thereof decreased from approximately 28.1% for the six months ended 30 June 2019 to approximately 12.5% for the Relevant Period.

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

### **Financial information and technology services segment**

The revenue from financial information and technology services decreased by approximately HK\$427.9 million or 96.5% from approximately HK\$443.2 million for the six months ended 30 June 2019 to approximately HK\$15.3 million for the Relevant Period due to the factors as mentioned on page 32 of business review and outlook section. Therefore, the financial information and technology services segment recorded gross loss of approximately HK\$3.5 million (2019: gross profit of approximately HK\$340.3 million), and gross loss margin of 22.6% for the Relevant Period (2019: gross profit margin 76.8%).

References are made to the Company's 2019 annual report dated 11 May 2020 and supplemental announcement regarding the annual results for the year ended 31 December 2019 dated 17 July 2020, respectively, in relation to business cooperation with credit service provider(s). For the year ended 31 December 2019, the Company commenced business cooperation with Shenzhen Xingrui Information Technology Co., Ltd. (深圳興睿信息科技有限公司) (the "**Credit Service Provider**"), which is an independent third party. In 2019, the Group and the Credit Service Provider reached a business cooperation agreement (the "**Agreement**"), pursuant to which the Group shall refer borrowers who are individuals in the PRC with financial needs (the "**Borrowers**") to the Credit Service Provider, which has established business relationships with individuals or various banks and other licensed financial institutions in the PRC (the "**Lenders**") to distribute their financial products. In order to secure the due performance of the Group under the Agreement including the obligation to return to the Credit Service Provider the accrued interests collected from the Borrowers, the Credit Service Provider has requested the Group, and the Group has agreed, to advance to the Credit Service Provider a sum as security (the "**Security Sum**"), provided that the balance of the Security Sum after netting off the accrued interests received by the Group shall not at any time during the term of the Agreement exceed 5% of the total amount of loans of RMB4 billion that the Lenders intended to provide, i.e. RMB200 million.

As at 30 June 2020, the Security Sum, which is trade-related and arose purely from the course of the Company's business of financial information and technology services, amounted to approximately HK\$76.3 million (31 December 2019: HK\$159.1 million) having taken into account the set-off arrangement and expected credit losses ("ECL") measurement. The Security Sum is unsecured and non-interest bearing.

### **Other income**

Other income amounted to approximately HK\$20.0 million for the Relevant Period (2019: HK\$0.2 million, representing an increase of approximately 9,900.0%), which was mainly due to the government subsidy received by one of the subsidiaries within the Group during the Relevant Period.

### **Impairment losses, net of reversal**

During the Relevant Period, the impairment losses, net of reversal increased by approximately HK\$76.1 million or 133.5% to approximately HK\$133.1 million (2019: approximately HK\$57.0 million) which were primarily related to the Company's financial information and technology services segment.

For non credit-impaired trade and retention receivables and contract assets, the Group has engaged an independent valuer to perform impairment assessment. The Group has applied the simplified approach in HKFRS to measure the loss allowance at lifetime ECL by using a provision matrix on a portfolio basis with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year. Subsequently, approximately HK\$73.6 million (2019: approximately HK\$57.0 million) ECL of the trade and retention receivables and contract assets has been recognised during the Relevant Period.



The impairment losses of other receivables (“**ILOR**”) of approximately HK\$34.8 million are in relation to the Company’s financial information and technology services. Out of the ILOR of HK\$34.8 million, approximately HK\$26.7 million has been recognised for credit-impaired other receivables, which related to one of the agents in the PRC (collectively, the “Agents”, each an “Agent”), all of which are independent third parties, and the remaining ILOR of approximately HK\$8.1 million has been recognised for non credit-impaired other receivables which related to four Agents, details of which are as follows:

- 1) During the year of 2019, the Company’s subsidiary, Shangrao Hongmiao Information Technology Co., Ltd. (上饒市紅淼信息科技有限公司) (“**Shangrao Hongmiao**”) (formerly known as Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司)), had established business cooperation with several Agents and entered into similar business arrangement with each of the Agents. Under the arrangement, the Agents shall refer individual borrowers in the PRC with financial needs to Shangrao Hongmiao. Shangrao Hongmiao would then analyze the creditworthiness of such individual borrowers and refer such individual borrowers to credit service providers and financial institutions in the PRC (the “**Financial Service Providers**”). The Agents shall be entitled to service fee (“**Service fee**”) payable by Shangrao Hongmiao based on the income of Shangrao Hongmiao for every successful referral;
- 2) With a view to promoting and facilitating the business development, Shangrao Hongmiao has reached separate agreement with each of the Agents to prepay the Service Fee (the “**Prepayment**”). The parties also agreed that Prepayment shall be used to set off against the Service Fee payable by Shangrao Hongmiao to the Agents. As at 30 June 2020, the Prepayment, having taken into account the set off arrangement and ECL measurement, amounted to approximately HK\$36.6 million.

The ILOR of credit-impaired other receivables of HK\$26.7 million was determined based on the recoverability of the Prepayment made to a particular Agent, (the “**Defaulting Agent**”), with reference to time overdue, market default rate, actions taken by the Group and economic situations. Having considered the following:

- 1) the repeated attempts made by the Group for recovery of the Prepayment from the Defaulting Agent, including but not limited to issuance of monthly demand letter for collection of the Prepayment and various negotiations with their senior management on repayment plan and/or obtaining collateral;
- 2) as of the date of the results announcement, over 180 days had elapsed since the amount has been paid to the Defaulting Agent; and
- 3) the weakened consumer spending/lending activities and recent economic downturn in the PRC caused by the novel coronavirus leading to financial deterioration of the Defaulting Agent, who was unable to carry out its business effectively,

The Directors are of the view that the outstanding Prepayment from the Defaulting Agent would not be recoverable and have concluded that the Prepayment was credit-impaired.

The ILOR for non credit-impaired other receivables of HK\$8.1 million, deposits to a credit service provider and a financial institution of HK\$7.9 million, other receivables from a credit service provider of HK\$16.8 million were determined in accordance with the HKFRS 9’s requirement on ECL.

The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company’s historical and the counterparties’ industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

## **Administrative expenses**

During the Relevant Period, administrative expenses, primarily consisting of staff costs, legal and professional fee and depreciation on right-of-use assets, remained similar to last year at approximately HK\$47.6 million (2019: HK\$46.7 million).

## **Finance costs**

Finance costs of the Group decreased by approximately HK\$0.1 million or 6.3% from approximately HK\$1.6 million for the six months ended 30 June 2019 to approximately HK\$1.5 million for the Relevant Period, as the interest paid for the bank borrowings decreased for the Relevant Period.

## **Income tax (credit)/expenses**

Due to the reversal of temporary differences, the Group recorded deferred tax credit of approximately HK\$16.3 million (2019: HK\$14.0 million) during the Relevant Period. As a result, the Group recorded income tax credit of approximately HK\$16.2 million during the Relevant Period (2019: income tax expenses of approximately HK\$66.6 million).

## **Loss/profit and total comprehensive loss/income for the period attributable to the owners of the Company**

Loss for the period attributable to the owners of the Company was approximately HK\$99.3 million for the Relevant Period (2019: profit for the period attributable to the owners of the Company of HK\$86.1 million).

It was primarily attributable to the net effect of (i) the decrease in revenue of financial information and technology services; and (ii) impairment losses recorded for the Relevant Period of approximately HK\$133.1 million.

Total comprehensive loss for the period attributable to the owners of the Company was approximately HK\$103.1 million (2019: total comprehensive income for the period attributable to the owners of the company of HK\$69.5 million).

It was primarily attributable to the net effect of (i) the decrease in revenue of financial information and technology services; (ii) impairment losses recorded for the Relevant Period of approximately HK\$133.1 million; (iii) exchange loss on translation from functional currency to presentation currency; and (iv) the fair value gain on the change in fair value of equity instruments through other comprehensive income.

### **Equity instruments at fair value through other comprehensive income**

Equity instruments at fair value through other comprehensive income (“**FVTOCI**”) represents investments in the ordinary shares of an entity listed in Hong Kong which are held for long-term strategic purpose. FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve. The fair value of the equity is determined based on the quoted market price available on the Stock Exchange.

As at 30 June 2020, the fair value of equity instruments at FVTOCI was approximately HK\$22.6 million (31 December 2019: approximately HK\$19.7 million) and gain recognised in other comprehensive income during the Relevant Period amounted to approximately HK\$2.9 million (2019: loss approximately HK\$17.4 million). During the Relevant Period, the Company did not receive any dividend from FVTOCI (2019: nil).

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss (“**FVTPL**”) represents investment in the equity securities issued by a listed company in the PRC. FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item in profit or loss. The fair value of the equity securities is determined based on the quoted market price available on the National Equities Exchange and Quotations.

As at 30 June 2020, the fair value of FVTPL was approximately HK\$35.0 million (31 December 2019: approximately HK\$24.7 million) and gain from change in fair value of financial assets at FVTPL and net foreign exchange losses recognised in other gains and losses during the Relevant Period amounted to approximately HK\$11.0 million (2019: nil) and HK\$0.7 million (2019: nil) respectively. During the Relevant Period, the Company did not receive any dividend from FVTPL (2019: nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Net borrowing position**

The total borrowings, including bank overdrafts and bank borrowings and amounts due to shareholders, as at 30 June 2020 decreased by approximately HK\$4.0 million to approximately HK\$64.1 million (31 December 2019: approximately HK\$68.1 million). The change in total borrowings was mainly attributable to decrease in bank overdrafts and bank borrowings of approximately HK\$5.3 million during the Relevant Period. Bank balances and cash and pledged bank deposits as at 30 June 2020 dropped by approximately HK\$136.5 million to approximately HK\$70.9 million (31 December 2019: approximately HK\$207.4 million). Therefore, the net cash position of the Group declined to approximately HK\$6.8 million (31 December 2019: approximately HK\$139.3 million).

### **Structure of bank overdrafts and bank borrowings and amounts due to shareholders**

As at 30 June 2020, bank balances and cash and pledged bank deposits of the Group denominated in Renminbi and Hong Kong Dollar amounted to HK\$24.2 million and HK\$46.7 million respectively (31 December 2019: approximately HK\$134.6 million and HK\$72.8 million respectively).

As at 30 June 2020, the Group's bank overdrafts and bank borrowings and amounts due to shareholders amounted to approximately HK\$47.3 million and HK\$16.8 million respectively (31 December 2019: approximately HK\$52.6 million and HK\$15.5 million respectively), all of which (31 December 2019: all) were denominated in Hong Kong Dollar. The effective interest rate during the Relevant Period ranged from approximately 3.18% to 3.23% (2019: approximately 3.38% to 5.28%). As at 30 June 2020, all of bank overdrafts and bank borrowings and amounts due to shareholders are wholly repayable within one year (31 December 2019: all). As at 30 June 2020, all of bank overdrafts and bank borrowings (31 December 2019: all) are charged with reference to variable-rate and all of amounts due to shareholders (31 December 2019: all) are interest-free.

## **Liquidity ratios and gearing ratios**

The current ratio of the Group as at 30 June 2020 was 1.5 times (31 December 2019: 1.7 times).

The gearing ratio, calculated based on the total borrowings including bank overdrafts and bank borrowings and amounts due to shareholders divided by total equity at the end of the Relevant Period and multiplied by 100%, increased to approximately 23.7% as at 30 June 2020 (31 December 2019: 15.9%). Such increase was primarily due to decrease in total equity as a result of net loss incurred of approximately HK\$152.8 million during the Relevant Period.

## **CAPITAL STRUCTURE**

### **Funding policy and treasury policy**

The Group maintains a prudent funding and treasury policy of its overall business operations to minimise financial risks. Surplus funds are generally placed in short term deposits denominated primarily in Hong Kong Dollar or Renminbi. All future projects will be financed by cash flows from operations, banking facilities, or any forms of financing available in Hong Kong and China.

The Group regularly monitors its liquidity requirements and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

As at 30 June 2020, the Company's issued share capital was HK\$13,320,000 (31 December 2019: HK\$13,320,000) and the number of issued ordinary shares was 1,332,000,000 (31 December 2019: 1,332,000,000) of HK\$0.01 each.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

Most of the operations of the Group were carried out in the PRC and Hong Kong. The transactions were denominated in Renminbi and Hong Kong Dollar from which approximately 7.2% and 92.8% of the revenue were denominated in Renminbi and Hong Kong Dollar respectively (2019: approximately 69.2% and 30.8%). The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations in Renminbi. The Group will continuously review the economic situation, development of the Group's business segments and its overall foreign exchange rate risk profile, and will consider appropriate hedging measures in the future as and when necessary. As of 30 June 2020, the Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives (31 December 2019: nil).

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

In the short run, the Group will continue to develop the contracting services in the construction segment in Hong Kong through leveraging its expertise and experience to provide one-stop integrated solution in order to maintain its core competitive advantages in the segment. At the same time, the Group will keep on diversifying its business to financial information and technology services segment to explore new markets with significant growth potential in the PRC and consider to streamline the existing Group structure by disposing of its non-core business and/or financial assets.

In the long run, the Group will leverage its talents and technological capabilities to collaborate with different strategic alliances in different segments to provide value-added services to its customers in the PRC and Hong Kong.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the Relevant Period, there was no material acquisitions and disposals of subsidiaries and affiliated companies.

## PROPOSED ISSUE OF EQUITY SECURITIES

On 8 January 2020, the Company and Applied Development Holdings Limited (the “**Subscriber**”) entered into a 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 the subscription agreement. Assuming the conversion rights attaching to the convertible bonds are fully exercised at the initial conversion price, the net proceeds from the issue of the convertible bonds, after deducting related expenses, are estimated to be HK\$61,700,000. The Directors intend to use the net proceeds from the issue of the convertible bonds (after deduction of the expenses payable in connection therewith) (i) as to approximately HK\$56,000,000 in financing its potential future acquisition(s) and for business development; and (ii) as to approximately HK\$5,700,000 as general working capital of the Group. The Company and the Subscriber mutually agreed to terminate the subscription agreement on 30 March 2020 and the subscription would not proceed. For details, please refer to the Company’s announcements dated 8 January 2020 and 30 March 2020, respectively.

## CHANGE OF COMPANY NAME

On 20 March 2020, the Board announced the proposed change of its registered English name from “Dafy Holdings Limited” to “Steering Holdings Limited” and its Chinese name from “達飛控股有限公司” to “旭通控股有限公司”. On 9 April 2020, the special resolution for change of the Company’s name was duly passed by the shareholders of the Company at its extraordinary general meeting. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 9 April 2020, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 28 April 2020.



Following the change of the Company's name, the stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020. Further, the Company's logo has been changed and the Company's website has been changed to "www.steering.com.hk".

The Board considers that the change of Company name would better reflect the strategic business plan and future business development of the Group and believes that the change of Company name is in the best interests of the Company and its shareholders as a whole.

### **CHARGE ON THE GROUP'S ASSETS**

As at 30 June 2020, the Group has pledged its bank deposit of approximately HK\$28.5 million (31 December 2019: approximately HK\$36.3 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK\$94.3 million (31 December 2019: approximately HK\$108.8 million).

### **SURETY BONDS AND CONTINGENT LIABILITIES**

Certain customers of construction contracts undertaken by the Group require the Group entities to issue guarantees for performance of contract works in the form of surety bonds and secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions who have issued such surety bonds.

As at 30 June 2020, the outstanding amount of surety bonds of the Group was approximately HK\$19.3 million (31 December 2019: approximately HK\$40.2 million).

Save as disclosed above, as at 30 June 2020, the Group did not have any other material contingent liabilities.

## FUNDRAISINGS THROUGH ISSUE OF CONVERTIBLE BONDS

References are made to the Company's announcements dated 30 August 2019 and 17 December 2019, respectively, and 2019 annual report dated 11 May 2020 in relation to fund raisings through issue of convertible bonds ("**Convertible Bonds**") in an aggregate principal amount of HK\$80,000,000 at the initial price of HK\$0.80 with a term of six months after the completion of the placing. The gross and net proceeds from the placing of the Convertible Bonds are HK\$80,000,000 and approximately HK\$77,600,000 respectively. The Directors apply the net proceeds (i) as to approximately HK\$52.4 million for full repayment of the unsecured and interest-free loan payable to Gentle Soar; (ii) as to approximately HK\$17.5 million in financing its potential future acquisitions and for business development; and (iii) as to approximately HK\$7.7 million as general working capital of the Group.

The following table sets out the intended and actual use of the net proceeds from the issue of the Convertible Bonds as at 30 June 2020:

	<b>Total net proceeds</b> <i>HK\$'000</i>	<b>Utilised</b> <i>HK\$'000</i>	<b>Unutilised</b> <i>HK\$'000</i>
<b>Use of net proceeds from the placing of the Convertible Bonds</b>			
— Repayment of the unsecured and interest-free loan payable to Gentle Soar	52,355	52,355	—
— Financing its potential future acquisitions and for business development	17,545	17,545	—
— General working capital	7,700	7,700	—
	<hr/> 77,600	<hr/> 77,600	<hr/> —

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed a total of 309 employees (2019: 552 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$59.6 million for the six months ended 30 June 2020 (2019: approximately HK\$95.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **UPDATES ON DIRECTORS' INFORMATION**

#### **Change of Directors and chairman of the Board and appointment of corporate development adviser**

On 20 February 2020, Mr. Wang Jing was appointed as an executive Director and chairman of the Board and Mr. Gao Yunhong stepped down from the chairman of the Board and executive Director to a non-executive Director. On the same date, Mr. Zhang Huaqiao was appointed as the corporate development adviser of the Company. For details, please refer to the Company's announcement dated 20 February 2020.

On 1 July 2020, Mr. Lau Kwok Fai Patrick, being an independent non-executive Director of the Company, has resigned as independent non-executive Director of Jinhai International Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2225).

## CONTINUING CONNECTED TRANSACTIONS

### Renewal of lease agreement

On 1 January 2020, Shangrao Hongmiao entered into a lease agreement (the **“2020 Lease Agreement”**) with Dafy Yundai Technology (Beijing) Co., Ltd. (達飛雲貸科技(北京)有限公司) (**“Dafy Yundai”**), for the period of 1 January 2020 to 31 December 2020, to renew the term of the lease of the hardware and software system in connection with the financial information and technology services on the mobile application **“達飛雲貸”** owned by Dafy Yundai which initially expired on 31 December 2019. The amount of fees payable by Shangrao Hongmiao under the 2020 Lease Agreement is RMB1,840,000. The transactions contemplated under the 2020 Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders’ approval requirements under Rule 14A.76 of the Listing Rules. For details, please refer to the Company’s announcement dated 2 January 2020.

Save as disclosed above, during the Relevant Period, the Group did not enter into any other continuing connected transactions.

## PUBLISH ANNUAL REPORTS AND PRELIMINARY RESULTS UNDER RULE 13.46(1) AND 13.49(1) OF THE LISTING RULES

References are made to the Company’s announcements dated 31 March 2020, 11 May 2020 and 15 May 2020, respectively, in relation to the publication of annual reports and annual results announcement of the Company. Due to the outbreak of COVID-19, the auditing process for the annual results of the Group for the year ended 31 December 2019 was not completed on schedule, and the Group was unable to issue its audited annual results announcement within three months after the end of the previous financial year and to publish annual report within four months after the end of the previous financial year. Subsequently, the Group issued the unaudited results announcement and audited results announcement for the year ended 31 December 2019, on 31 March 2020 and 11 May 2020, respectively, and published its 2019 annual report on 15 May 2020.

## DISCLOSURE OF INTERESTS

### A. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long position in the ordinary shares of the Company

Name of Director	Capacity/Nature	Number of shares held/ interest in	Percentage of shareholding
Mr. Gao Yunhong <sup>(Note 1)</sup>	Interest in controlled corporation	862,400,000	64.7%
Mr. Ng Kin Siu <sup>(Note 2)</sup>	Interest in controlled corporation	61,600,000	4.6%

1. 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 was redesignated from executive Director to non-executive Director on 20 February 2020.
2. Mr. Ng Kin Siu beneficially owns the entire issued share capital of Masterveyor Holdings Limited ("**Masterveyor**") and is deemed, or taken to be, interested in all the shares of the Company held by Masterveyor for the purposes of the SFO. Mr. Ng Kin Siu is an executive Director and chief executive officer of the Company.

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

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

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

## B. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number of shares held/ Interested in	Long/short position	Percentage of total issued share capital of the Company
Gentle Soar	Beneficial owner	862,400,000	Long	64.7%
China Minsheng Banking Corp. Ltd.	Interest in a controlled corporation <sup>(Note 1)</sup>	652,680,000	Long	49.0%
CMBC Capital Finance Limited	Person having a security interest in shares <sup>(Note 1)</sup>	652,680,000	Long	49.0%
CMBC Capital Holdings Limited	Interest in a controlled corporation <sup>(Note 1)</sup>	652,680,000	Long	49.0%
CMBC International Holdings Limited	Interest in a controlled corporation <sup>(Note 1)</sup>	652,680,000	Long	49.0%
CMBC International Investment (HK) Limited	Interest in a controlled corporation <sup>(Note 1)</sup>	652,680,000	Long	49.0%
CMBC International Investment Limited	Interest in a controlled corporation <sup>(Note 1)</sup>	652,680,000	Long	49.0%
Pop Reach Limited	Beneficial owner	89,480,000	Long	6.7%
Ms. Yeung So Lai	Interest in a controlled corporation <sup>(Note 2)</sup>	89,480,000	Long	6.7%



*Notes:*

- (1) CMBC Capital Finance Limited is a wholly-owned subsidiary of CMBC Capital Holdings Limited which is beneficially owned by CMBC International Investment Limited as to 60.62%. CMBC International Investment Limited is a wholly-owned subsidiary of CMBC International Investment (HK) Limited which is an indirect wholly-owned subsidiary of CMBC International Holdings Limited, which is a wholly-owned subsidiary of China Minsheng Banking Corp. Ltd.. By virtue of the SFO, CMBC Capital Holdings Limited, CMBC International Holdings Limited, CMBC International Investment (HK) Limited, CMBC International Investment Limited and China Minsheng Banking Corp. Ltd. are therefore deemed to be interested in the security interest held by CMBC Capital Finance Limited.
- (2) Ms. Yeung So Lai is beneficially interested in the entire issued shares of Pop Reach Limited and is therefore deemed to be interested in the shares of the Company held by Pop Reach Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2020 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **COMPETING AND CONFLICTS OF INTERESTS**

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

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

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

## **CORPORATE GOVERNANCE CODE**

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

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

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in the Model Code as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Relevant Period.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend any payment of interim dividend in respect of the Relevant Period (six months ended 30 June 2019: Nil).

## SHARE OPTION SCHEME

The share option scheme (the “**Scheme**”) is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions of the Directors and other employees who have made valuable contributions to the Group. The Scheme of the Company was adopted on 16 September 2015 (the “**Adoption**”). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 30 June 2020.

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

### (A) PURPOSE

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

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

## **(B) THE PARTICIPANTS OF THE SCHEME**

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

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

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

## **(C) MAXIMUM NUMBER OF SHARES**

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 133,200,000 shares, unless the Company obtains a fresh approval.

## **(D) MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL**

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

**(E) PRICE OF SHARES**

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

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

**(F) TIME OF EXERCISE OF OPTION AND DURATION OF THE SHARE OPTION SCHEME**

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

## EVENT AFTER REPORTING PERIOD

On 20 August 2020, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreement with an independent third party to dispose of the entire issued share capital of FDB Façade Limited, an indirect wholly-owned subsidiary of the Company at a consideration of HK\$5,196,000. FDB Façade Limited is principally engaged in the provision of design, supply and installation services for façade works and curtain wall work solutions. The consideration was determined after arm's length negotiations with reference to various factors, including but not limited to the unaudited net asset value of FDB Façade Limited as at 30 June 2020. Completion of the disposal is conditional upon, among other things, that the purchaser being satisfied with the assets, liabilities, state, affairs and conditions of FDB Façade Limited and all necessary consents and authorizations having been obtained. Upon completion of disposal, FDB Façade Limited will cease to be a subsidiary of the Company.

On 20 August 2020, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreement with an independent third party to dispose of fifty-one (51) ordinary shares of par value HK\$1.00 in the share capital of Unicon Asia Limited, an indirect non-wholly-owned subsidiary of the Company, representing fifty one percent (51%) of its entire issued share capital and the amount owing as at the completion date by Unicon Asia Limited to the FDB & Associates Limited in respect of non-interest bearing loan repayable on demand at a consideration of HK\$930,000. Unicon Asia Limited is principally engaged in the provision of supply and install services of piling connectors on steel casting and the supply of drilling tools. The consideration was determined after arm's length negotiations with reference to various factors, including but not limited to the unaudited net asset value of Unicon Asia Limited as at 30 June 2020. Completion of the disposal is conditional upon, among other things, that the purchaser being satisfied with the assets, liabilities, state, affairs and conditions of Unicon Asia Limited and all necessary consents and authorizations having been obtained. Upon completion of disposal, Unicon Asia Limited will cease to be a subsidiary of the Company.

The proceeds from the disposals will be used as general working capital of the Group and to ease the cash flow pressure of the contracting and consulting services.

As all of the applicable percentage ratios for each of the disposals are less than 5%, each of the disposals does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Save as disclosed above, there was no significant event taken place subsequent to 30 June 2020 and up to the date of this report.

## AUDIT COMMITTEE

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

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

By order of the Board

**Steering Holdings Limited**

**Wang Jing**

*Chairman of the Board and executive Director*

Hong Kong, 28 August 2020



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