Dafy Holdings Limited
達飛控股有限公司

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 together with the comparative audited figures for the year ended 31 December 2017. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*3*	**648,541**	744,755
Cost of services		**(539,526)**	(671,307)
Gross profit		**109,015**	73,448
Other income		**2,020**	733
Other gains and losses		**(1,096)**	(168)
Other expenses		**(220)**	(2,417)
Administrative expenses		**(39,172)**	(32,748)
Finance costs		**(1,930)**	(696)
Profit before tax	*4*	**68,617**	38,152
Income tax expense	*6*	**(17,321)**	(6,969)
Profit for the year		**51,296**	31,183

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(5,234)**	–
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**34**	–
Other comprehensive expense for the year		**(5,200)**	–
Total comprehensive income for the year		**46,096**	31,183
Profit for the year attributable to:			
Owners of the Company		**32,057**	31,183
Non-controlling interests		**19,239**	–
		51,296	31,183
Total comprehensive income for the year attributable to:			
Owners of the Company		**26,786**	31,183
Non-controlling interests		**19,310**	–
		46,096	31,183
Earnings per share, basic (HK cents)	*7*	**2.6**	2.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**5,390**	3,130
Deposit paid for acquisition of property, plant and equipment		**1,150**	–
Equity instruments at fair value through other comprehensive income	*8*	**44,766**	–
Deferred tax assets		**270**	–
		51,576	3,130
Current assets			
Contract assets	*9*	**163,451**	–
Amounts due from customers for contract works	*10*	**–**	186,197
Trade and other receivables	*11*	**198,094**	141,885
Tax recoverable		**2,751**	1,617
Pledged bank deposits		**33,194**	35,999
Bank balances and cash		**21,996**	19,191
		419,486	384,889
Current liabilities			
Trade and other payables	*12*	**169,993**	214,882
Advances from customers	*12*	**–**	6,581
Contract liabilities	*13*	**13,875**	–
Amount due to a shareholder	*14*	**52,355**	–
Tax liabilities		**13,704**	2,236
Bank borrowings		**53,400**	52,623
		303,327	276,322
Net current assets		**116,159**	108,567
Total assets less current liabilities		**167,735**	111,697
Non-current liability			
Deferred tax liabilities		**76**	235
Net assets		**167,659**	111,462
Capital and reserves			
Share capital		**12,320**	12,320
Reserves		**124,654**	99,142
Equity attributable to owners of the Company		**136,974**	111,462
Non-controlling interests		**30,685**	–
Total equity		**167,659**	111,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

Dafy 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 had been listed on GEM ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 30 September 2015 and have been transferred to the Main Board of the Stock Exchange ("**Main Board**") since 10 July 2017.

Its immediate holding company is Gentle Soar Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Gao Yunhong ("**Mr. Gao**"), who was appointed as the chairman of the Board and executive Director on 5 January 2018.

The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The Group is principally engaged in the provision of building consultancy services, contracting business, project management and financial information and technology services. During the year ended 31 December 2018, the Group entered into a new business through a non-wholly owned subsidiary, Shangrao Dafy Financial Data Service Co., Ltd. ("**Shangrao Dafy**"), for the provision of financial information and technology services which link up the individual users in the People's Republic of China (the "**PRC**") with various financial institutions or credit service providers.

The consolidated financial statements are presented in Hong Kong Dollar ("**HK$**"), which is the same as the functional currency of the Company.

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

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with Insurance Contracts HKFRS 4
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

New and amendments to HKFRSs issued but not yet effective

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

3. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

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

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018		
	Contracting service *HK$'000*	**Consultancy service** *HK$'000*	**Financial information and technology service** *HK$'000*
Types of service			
Construction	**519,693**	**–**	**–**
Consultancy	**–**	**57,053**	**–**
Provision of financial information and technology services			
Pre-loan service	**–**	**–**	**71,535**
Post-loan service	**–**	**–**	**260**
Total	**519,693**	**57,053**	**71,795**
Geographical markets			
Hong Kong	**519,693**	**57,053**	**–**
Mainland China	**–**	**–**	**71,795**
Total	**519,693**	**57,053**	**71,795**
Timing of revenue recognition			
A point in time	**–**	**–**	**71,535**
Over time	**519,693**	**57,053**	**260**
Total	**519,693**	**57,053**	**71,795**

(ii) Performance obligation for contracts with customers

Contracting service

The Group provides contracting service for alteration and addition works, maintenance, specialist works and new development to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these contracting services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the contracting services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables within 12 months from the end of the reporting period.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the contracting services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Consultancy service

The Group provides consulting service for alteration and addition works, new development, licensing, building services and architectural design for buildings in Hong Kong. Revenue is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Financial information and technology services

The Group provides financial information and technology services which link up the individual users in the PRC with various financial institutions or credit service providers.

The pre-loan service and post-loan service are considered as the two distinct performance obligations to be provided by the Group. The Group does not provide these services separately, and there is no third-party evidence for the selling price for these services. As a result, the Group uses its best estimate of selling prices of these service obligations as the basis for the allocating the transaction price.

The transaction price allocated to the pre-loan service is recognised as revenue upon execution of loan agreements between lenders and borrowers. When the Group provides post-loan service, the borrowers or lenders simultaneously receive and consume the benefits provided by the Group's performance and the transaction price allocated to the post-loan service is recognised over the period of the loan on a straight-line basis, which approximates the pattern of when the underlying services are performed.

The Group generally collects the service fees by instalments over the period of the loan after the loan is distributed to the borrowers' bank accounts. Upon entering into a contract with customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide financial information and technology services to the borrowers. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on relationship between the remaining rights and performance obligations. The contract is an asset if the measure of remaining conditional rights to consideration exceeds the satisfied performance obligations. Contract asset is recognised over the period of the loan in which the financial information and technology services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance of the whole post-loan service. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. by the end of the loan period. Conversely, the contract is a liability and recognised as contract liability for the portion of fees that the Group collected from the borrowers in relation to financial information and technology services that have not been performed.

The aggregate amount of the services fees is the gross amount of the services fee under a service contract before taking into account the impacts of variable considerations resulting from expected amounts of service fees to be unearned from borrowers due to an early repayment of loan. The estimated amounts of variable considerations, which are calculated using the expected value method, are deducted from the total transaction price for each service contract before allocating to different performance obligations based on their relative standalone selling prices.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Contracting service *HK$'000*	**Consultancy service** *HK$'000*	**Financial information and technology service** *HK$'000*
Within one year	**300,811**	**47,712**	**497**
More than one year but not more than two years	**71,825**	**23,195**	**–**
More than two years	**4,470**	**13,755**	**–**
	377,106	**84,662**	**497**

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	HK$'000
Contracting service	686,196
Consulting service	58,559
	744,755

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. During the year ended 31 December 2018, the Group entered into a new business of financial information and technology service and it is considered as a new operating and reportable segment by the CODM.

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

1. Contracting service

2. Consultancy service

3. Financial information and technology service

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

For the year ended 31 December 2018

	Contracting service *HK$'000*	**Consultancy service** *HK$'000*	**Financial information and technology service** *HK$'000*	**Total** *HK$'000*
Segment revenue	**519,693**	**57,053**	**71,795**	**648,541**
Segment profit	**32,480**	**17,372**	**58,091**	**107,943**
Unallocated income				**2,035**
Unallocated expenses				**(41,361)**
Profit before tax				**68,617**

For the year ended 31 December 2017

	Contracting service *HK$'000*	Consultancy service *HK$'000*	Total *HK$'000*
Segment revenue	686,196	58,559	744,755
Segment profit	63,298	10,039	73,337
Unallocated income			733
Unallocated expenses			(35,918)
Profit before tax			38,152

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit from each segment before tax without allocation of other income, other expenses, other gains and losses (excluding impairment losses recognised (reversed) on trade receivables, retention 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.

Geographical information

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

89% (2017: 100%) and 11% (2017: nil) of the Group's revenue from external customers are attributed to Hong Kong and PRC, respectively.

96% (2017: 100%) and 4% (2017: nil) of the Group's non-current asset (excluding equity instruments at fair value through other comprehensive income and deferred tax assets) are located in Hong Kong and the PRC, respectively.

Information about major customers

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

	2018 *HK$'000*	2017 *HK$'000*
Customer 1	**81,229**	77,992
Customer 2	**77,148**	N/A[1]
Customer 3	**N/A[1]**	112,289
Customer 4	**N/A[1]**	96,662

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

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

4. PROFIT BEFORE TAX

	2018 *HK$'000*	2017 *HK$'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**4,206**	7,036
Salaries and other allowances	**83,458**	83,866
Retirement benefit scheme contributions, excluding those of directors	**4,708**	2,938
Total staff costs	**92,372**	93,840
Auditor's remuneration	**2,430**	1,150
Depreciation of property, plant and equipment	**1,758**	1,125
Minimum lease payments paid under operating leases in respect of		
— Office premises	**7,700**	3,791
— Director's quarter (included in directors' emoluments)	**764**	731

5. DIVIDENDS

During the year ended 31 December 2017, a final dividend of HK0.8 cents per share in respect of the year ended 31 December 2016 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid for the year ended 31 December 2017 amounted to HK$9,856,000.

No dividends were paid, declared or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period.

6. INCOME TAX EXPENSE

	2018 *HK$'000*	2017 *HK$'000*
Current tax:		
Hong Kong	**4,176**	7,082
PRC Enterprise Income Tax	**13,644**	–
	17,820	7,082
Overprovision in prior years:		
Hong Kong	**(70)**	(60)
Deferred tax	**(429)**	(53)
Income tax expense	**17,321**	6,969

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 *HK$'000*	2017 *HK$'000*
Profit before tax	**68,617**	38,152
Tax charge at Hong Kong Profits Tax rate of 16.5%	**11,322**	6,295
Tax effect of expenses not deductible for tax purpose	**1,531**	792
Effect of different tax rate of subsidiaries operating in other jurisdiction	**4,829**	–
Income tax at concessionary rate	**(149)**	–
Overprovision in respect of prior years	**(70)**	(60)
Others	**(142)**	(58)
Tax expense for the year	**17,321**	6,969

7. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	**32,057**	31,183

	2018	2017
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,232,000**	1,232,000

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue for both years.

8. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018
	HK$'000
Listed investments	
— Equity securities listed in Hong Kong *(Note)*	**44,766**

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

9. CONTRACT ASSETS

	31 December 2018	1 January 2018*
	HK$'000	*HK$'000*
Contracting service *(Note)*	**147,704**	206,898
Financial information and technology service	**15,747**	–
	163,451	206,898

* The amounts in this column are after the adjustments for the application of HKFRS 9 and 15.

Note: As at 31 December 2018, included in contract assets are retention held by customers for contract works amounted to approximately HK$44,966,000 (1 January 2018: HK$31,876,000), which 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 right to consideration for work 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.

10. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2017
	HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses	1,259,045
Less: progress billings	(1,072,848)
	186,197
Analysed for reporting purposes as:	
Amounts due from customers for contract works	186,197

At 31 December 2017, retentions held by customers for contract works amounted to approximately HK$31,876,000, which were expected to be recovered or settled in more than twelve months from the end of the reporting period.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**159,318**	109,773
Less: allowance for credit losses	**(2,019)**	–
	157,299	109,773
Retention receivables *(Note)*	**18,259**	26,767
Less: allowance for credit losses	**(49)**	(291)
	18,210	26,476
Other receivables, deposits and prepayments		
— Prepayment	**12,887**	2,510
— Sundry deposits	**4,295**	2,183
— Temporary payment	**2,253**	751
— Other receivables	**3,150**	192
	22,585	5,636
	198,094	141,885

Note: All retention money in relation to completed projects were expected to be recovered or settled within twelve months from the end of the reporting period.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$157,299,000 and HK$109,638,000, respectively. As at 1 January 2018, the additional credit loss allowance on trade receivables of approximately HK$135,000 had been recognised against retained earnings.

The Group allows credit period ranging from 0 to 45 days to its customers. The following is an aged analysis of the Group's trade receivables net of allowance for credit losses presented based on certificate/invoice dates.

	2018	2017
	HK$'000	*HK$'000*
Trade receivables:		
1–30 days	**90,221**	81,040
31–60 days	**36,833**	7,065
61–90 days	**1,424**	6,414
91–180 days	**17,189**	9,890
Over 180 days	**11,632**	5,364
	157,299	109,773

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$67,742,000 which are past due as at the reporting date. Out of the past due balances, HK$27,496,000 has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the Group's trade receivables are debtors with aggregate carrying amount of HK$57,407,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. As there has not been a significant change in credit quality, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2017 *HK$'000*
Overdue:	
1–30 days	32,838
31–60 days	4,665
Over 60 days	19,904
	57,407

Movement in the allowance for doubtful debts on retention receivables:

	2017 *HK$'000*
At beginning of year	613
Impairment losses recognised	111
Amounts written off as uncollectible	(433)
Balance at end of year	291

12. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**42,521**	46,327
Retention payables *(Note a)*	**43,950**	33,511
Accrued subcontracting charges and other operating expenses	**83,522**	126,969
Deposits from customers	**–**	8,075
	169,993	214,882
Advances from customers *(Note b)*	**–**	6,581
	169,993	221,463

Notes:

(a) Retention payables amounted to approximately HK$26,181,000 (2017: approximately HK$8,175,000) as at 31 December 2018 were aged more than twelve months from the end of the reporting period. All retention payables were expected to be paid or settled within twelve months from the end of the reporting period.

(b) Advances from customers were unsecured and will be set off progress billings. Included in the balance as at 31 December 2017, HK$3,000,000 carried interest at a rate of 5.25% and the remaining balance was interest-free.

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

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables:		
1–30 days	**34,350**	40,355
31–60 days	**2,712**	2,223
61–90 days	**240**	979
Over 90 days	**5,219**	2,770
	42,521	46,327

13. CONTRACT LIABILITIES

	31 December 2018 *HK$'000*	1 January 2018* *HK$'000*
Deposits from customers	**7,294**	8,075
Advances from customers *(Note a)*	**6,581**	6,581
	13,875	14,656

* The amounts in this column are after the adjustments for the application of HKFRS 15.

Note a: Advances from customers are unsecured and will be set off progress billings. Included in the balance, HK$3,000,000 carry interest at a rate of 5.25% and the remaining balance is interest-free.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Contracting service *HK$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,237

14. AMOUNT DUE TO A SHAREHOLDER

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

15. OPERATING LEASE COMMITMENTS

The Group as lessee

As at the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and director's quarter which fall due as follows:

	2018 *HK$'000*	2017 *HK$'000*
Within one year	**20,111**	2,988
In the second to fifth year inclusive	**6,757**	575
	26,868	3,563

The leases are generally negotiated for a lease term of 2 years at fixed rentals.

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 People's Republic of China (the "**PRC**"). The Group is developing a range of high integrity and user friendly platforms for the users in the PRC, and steadily transforming into a nationwide enterprise with diversified products in the financial related service industry.

Change of Company Name and Stock Short Name

On 5 January 2018, the Board announced the proposal for the change of its registered English name from "FDB Holdings Limited" to "Dafy Holdings Limited" and its Chinese name from "豐展控股有限公司" to "達飛控股有限公司". On 5 February 2018, 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 22 February 2018, 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 14 March 2018.

The stock short name for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been changed from "FDB HOLDINGS" to "DAFY HOLDINGS" in English and from "豐展控股" to "達飛控股" in Chinese with effect from 22 March 2018.

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.

Business Review and Outlook

The Group established a wholly-owned subsidiary, Shanghai Faye Yu Technology Co., Ltd. (上海飛毓科技有限公司) in the PRC in April 2018 to engage in the provision of computer information, network and electronic technology development, consulting and advertising services in the PRC. The Group commenced the financial information and technology services in the PRC, which linked up the PRC individual users with various financial institutions or credit service providers.

These are attributable to the Directors' active exploration of different business opportunities in order to diversify the existing construction business of the Group and to explore new markets with significant growth potential. The Directors believe that the continuous diversification of business and income stream will bring more sustainable growth in shareholders' value and empower us to capture greater opportunities.

For the year ended 31 December 2018, there were 93 contracting projects and 397 consulting projects (2017: 78 contracting projects and 406 consulting projects) with revenue contribution. The demands for the Group's contracting and consulting services remained at a similar level as compared with the previous year.

The Group possesses the expertise and experience to deliver solutions that may add value to its projects. As at 31 December 2018, the Group's in-house team of professional staff for both contracting and consulting services comprised of a total of 15 (2017: 17) staff with professional qualifications which maintained a similar level as compared with the previous year. The qualified and experienced staff, including authorised persons, authorised signatories, surveyors and engineers, can cope with the Group's business development for both contracting and consulting services by undertaking projects of larger scale and of higher complexity.

Looking forward, the Group will continue to develop its contracting and consulting business by undertaking more projects for alteration and addition works and further strengthen the Group's in-house team of professional staff in order to maintain the competitive edge of the Group over the competitors in the industry. In the meantime, the Group will continue to explore other business opportunities in Hong Kong and the PRC and to continuously evaluate the feasibility of diversifying the income stream of the Group. In this regard, we may look into business and investment opportunities in different business areas and geographic locations and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the sustainable development of the Group which benefits the shareholders as a whole.

Financial Review

Revenue

The Group is principally engaged in (i) contracting service for alteration and addition works, maintenance, specialist works and new development; (ii) consulting service for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong; and (iii) financial information and technology services to individuals in the PRC.

The total revenue of the Group decreased by approximately HK$96.3 million or 12.9% from approximately HK$744.8 million for the year ended 31 December 2017 to approximately HK$648.5 million for the year ended 31 December 2018. The decrease was primarily resulted of the decrease in revenue from contracting services and consulting services.

The revenue from contracting services decreased by approximately HK$166.5 million or 24.3% from approximately HK$686.2 million for the year ended 31 December 2017 to approximately HK$519.7 million for the year ended 31 December 2018. The decrease was mainly due to a decrease in number of contracting projects with significant contract sum for the year ended 31 December 2018.

The revenue from consulting services decreased by approximately HK$1.5 million or 2.6% from approximately HK$58.6 million for the year ended 31 December 2017 to approximately HK$57.1 million for the year ended 31 December 2018. The revenue from consulting services remained at a similar level as compared with the previous year.

The revenue from financial information and technology services was approximately HK$71.7 million for the year ended 31 December 2018. It has increased by approximately HK$71.7 million or 100.0% from nil for the year ended 31 December 2017 as it is a new business segment of the Group.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately HK$35.6 million or 48.5% from approximately HK$73.4 million for the year ended 31 December 2017 to approximately HK$109.0 million for the year ended 31 December 2018, while the gross profit margin of the Group increased from approximately 9.9% for the year ended 31 December 2017 to approximately 16.8% for the year ended 31 December 2018. The increase was mainly driven by the financial information and technology services during the year.

The gross profit of contracting services decreased by approximately HK$30.8 million or 48.7% from approximately HK$63.3 million for the year ended 31 December 2017 to approximately HK$32.5 million for the year ended 31 December 2018, while the gross profit margin of the contracting services decreased from approximately 9.2% for the year ended 31 December 2017 to approximately 6.3% for the year ended 31 December 2018.

The decrease in gross profit of contracting services was mainly due to the decrease in gross profit of our top five projects in terms of the contract size and cost of the project team has to be maintained at a high level in order to engage in the tender bidding of other projects in the coming years.

The gross profit of consulting services increased by approximately HK$7.3 million or 72.3% from approximately HK$10.1 million for the year ended 31 December 2017 to approximately HK$17.4 million for the year ended 31 December 2018, and the gross profit margin of the consulting services increased from approximately 17.2% for the year ended 31 December 2017 to approximately 30.5% for the year ended 31 December 2018.

The increase in gross profit in consulting services was mainly driven by a consulting project which has contributed a relatively high gross profit in view of the complexity, technicality and expertise required for the project.

The gross profit of financial information and technology services was approximately HK$59.1 million for the year ended 31 December 2018 and the gross profit margin of financial information and technology services was approximately 82.3% for the year ended 31 December 2018.

Other Income

Other income of the Group increased by approximately HK$1.3 million or 185.7% from approximately HK$0.7 million for the year ended 31 December 2017 to approximately HK$2.0 million for the year ended 31 December 2018. The increase was mainly due to the provision of the non-recurring development of financial information and technology system and software service rendered in the PRC by a subsidiary of the Group during the year.

Other Gains and Losses

The Group has other net losses of approximately HK$1.1 million (2017: HK$0.2 million) for the year ended 31 December 2018, which consisted of provision on expected credit losses on financial assets and contract assets in accordance with HKFRS 9 Financial Instruments, net exchange gain and loss on disposal of property, plant and equipment.

Other Expenses

Other expenses of the Group decreased by approximately HK$2.2 million or 91.7% for the year ended 31 December 2018. The decrease was due to absence of the legal and professional fee for the transfer of listing from the GEM to the Main Board amounting to approximately HK$1.2 million which incurred in 2017; and decrease in donation amounting to HK$1.0 million.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK$6.5 million or 19.9% from approximately HK$32.7 million for the year ended 31 December 2017 to approximately HK$39.2 million for the year ended 31 December 2018.

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

Finance Costs

Finance costs of the Group increased by approximately HK$1.2 million or 171.4% from approximately HK$0.7 million for the year ended 31 December 2017 to approximately HK$1.9 million for the year ended 31 December 2018, as the interest paid for the bank borrowings increased for the year ended 31 December 2018.

Income Tax Expense

Income tax expense for the Group increased by approximately HK$10.3 million or 147.1% from approximately HK$7.0 million for the year ended 31 December 2017 to approximately HK$17.3 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in profit before tax from approximately HK$38.2 million for the year ended 31 December 2017 to approximately HK$68.6 million for the year ended 31 December 2018.

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

Profit for the year attributable to the owners of the Company increased by approximately HK$0.9 million or 2.9% from approximately HK$31.2 million for the year ended 31 December 2017 to approximately HK$32.1 million for the year ended 31 December 2018.

It was primarily attributable to the net effect of (i) the increase in revenue and gross profit generated from financial information and technology services; (ii) the decrease in revenue and gross profit for the contracting services; (iii) the increase in gross profit in consulting services; and (iv) the increase in the administrative expenses and finance costs incurred by the Group.

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK$4.4 million or 14.1% from approximately HK$31.2 million for the year ended 31 December 2017 to approximately HK$26.8 million for the year ended 31 December 2018.

It was primarily attributable to the net effect of (i) the increase in revenue and gross profit generated from financial information and technology services; (ii) the decrease in revenue and gross profit for the contracting services; (iii) the increase in gross profit in consulting services; (iv) the increase in the administrative expenses and finance costs incurred by the Group; and (v) the fair value loss on investments in equity instruments at fair value through other comprehensive income.

Liquidity and Financial Resources

The current ratio remained stable at approximately 1.4 times as at both 31 December 2018 and 31 December 2017.

As at 31 December 2018, the Group had advances from customers amounting to approximately HK$6.6 million (2017: approximately HK$6.6 million), which bore interest at 0%–5.25% per annum in both years. In addition, the Group had bank borrowings of approximately HK$53.4 million (2017: approximately HK$52.6 million) while amount due to a shareholder of approximately HK$52.4 million (2017: nil) as at 31 December 2018. The gearing ratio, calculated based on the total borrowings including interest-bearing advances from customers, bank borrowings and amount due to a shareholder divided by total equity at the end of the year and multiplied by 100%, increased to approximately 67.0% as at 31 December 2018 from approximately 53.1% as at 31 December 2017. The gearing ratio increased as amount due to a shareholder existed during the year.

Capital Structure

There has been no change in the capital structure of the Group for the year ended 31 December 2018. The share capital of the Group only comprises ordinary shares.

As at 31 December 2017 and 2018, the Company's issued share capital was HK$12,320,000 and the number of its issued ordinary shares was 1,232,000,000 of HK$0.01 each.

Commitments

The operating lease commitments of the Group were primarily related to the leases of its office premises and director's quarter. The Group's operating lease commitments amounted to approximately HK$26.9 million as at 31 December 2018 (2017: approximately HK$3.6 million).

Future Plans for Material Investments and Capital Assets

As at 31 December 2018, the Group did not have any plans for material investments and capital assets. The Group may look into business and investment opportunities in different business areas and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 29 May 2018, the Company entered into a memorandum of understanding (the "**MOU**") with Mr. Gao and Guoyu Technology Co., Limited (the "**Target Company**") in relation to the possible acquisition (the "**Possible Acquisition**") by the Company of the entire issued shares of the Target Company, a company incorporated in Hong Kong which is wholly and beneficially owned by Mr. Gao, together with the related shareholder's loan (if any). The Target Company in turn owns 30% equity interest in a PRC company principally engaged in the business of auto leasing in the PRC. Pursuant to the MOU, the Possible Acquisition is subject to the entering into of a formal agreement to be executed by the parties. As at the date of this announcement, no formal agreement has been entered into among the parties. Please refer to the announcement of the Company dated 29 May 2018 for details.

On 3 August 2018, the Company entered into a conditional sale and purchase agreement with Mr. Gao to acquire 51% of the equity interest in Shangrao Dafy, a company established in the PRC with limited liability, at a consideration of RMB1.00. Completion took place on 3 August 2018 and upon the completion of the acquisition, Shangrao Dafy has become an indirect non-wholly owned subsidiary of the Company. Shangrao Dafy commenced business and generated profits in the second half of 2018 for the Group.

Save as disclosed above, during the year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Surety Bonds and Contingent Liabilities

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

As at 31 December 2018, the outstanding amount of surety bonds of the Group was approximately HK$16,110,000 (2017: HK$30,589,000).

Save as disclosed above, as at 31 December 2018 and 2017, the Group did not have other material contingent liabilities.

Exposure to Exchange Rate Fluctuation

As at 31 December 2018, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Charge of Group's Assets

As at 31 December 2018, the Group has pledged its bank deposit to a bank of approximately HK$33.2 million (2017: approximately HK$36.0 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK$119.8 million (2017: approximately HK$117.4 million).

Employees and Remuneration Policies

As at 31 December 2018, the Group employed a total of 475 employees (2017: 235 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$92.4 million for the year ended 31 December 2018 (2017: approximately HK$93.8 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 those 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.

Use of Proceeds

The net proceeds from the Company's listing on GEM (the "**Listing**") on 30 September 2015, after deducting the listing expenses, were approximately HK$21.9 million. After the Listing, these proceeds were used for the purposes in accordance with the business objectives and strategies as set out in the section headed "Statements of Business Objectives and Use of Proceeds" of the prospectus of the Company dated 23 September 2015. The net proceeds had been fully utilised as at 31 December 2018.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

For the period from 1 January 2018 to 4 January 2018, Mr. Ng Kin Siu assumed the roles of both chairman of the Board and chief executive of the Company. The Board considered that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

Following the re-designation of Mr. Gao as chairman of the Board on 5 January 2018, the roles of chairman and chief executive are no longer performed by the same individual and there is clear division of responsibilities between the chairman and chief executive of the Company.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 December 2018.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2018.

Purchase, Sale or Redemption of Securities of the Company

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2018.

Dividend

The Board does not recommend any payment of final dividend for the year ended 31 December 2018 (2017: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday, 10 May 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 6 May 2019 to Friday, 10 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2019.

Audit Committee

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

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

The consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

On 24 January 2019, Mr. Qi Gang resigned as an executive Director of the Company and Ms. Feng Xuelian was appointed as an executive Director of the Company.

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual consolidated results announcement is published on the Company's website at www.dafy.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2018 Annual Report of the Company will be despatched to the shareholders of the Company and available on the above websites.

Appreciation

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

By order of the Board
Dafy Holdings Limited
Gao Yunhong
Chairman of the Board and executive Director

Hong Kong, 19 March 2019

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