



# 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 Report  
**2017**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Gao Yunhong (*Chairman*)  
(appointed on 5 January 2018)  
Ms. Zhu Wenhui (appointed on 5 January 2018)  
Mr. Qi Gang (appointed on 5 January 2018)  
Mr. Ng Kin Siu (*Chief executive officer*)  
Mr. Chung Yuk Ming Christopher  
(resigned on 5 January 2018)  
Mr. Lai Pak Wei (resigned on 3 November 2017)  
Mr. Ip Kong Ling  
(appointed on 3 November 2017 and  
resigned on 5 January 2018)

### Independent non-executive Directors:

Mr. Chan Yuk Sang (appointed on 12 January 2018)  
Mr. Wan Chi Wai Anthony (appointed on 12 January 2018)  
Mr. Lau Kwok Fai Patrick (appointed on 12 January 2018)  
Mr. Chan Chun Hong (resigned on 12 January 2018)  
Mr. Chan Kai Nang (resigned on 12 January 2018)  
Mr. Lau Yiu Kit (resigned on 12 January 2018)  
Dr. Wu Chun Wah  
(appointed on 3 November 2017 and  
resigned on 12 January 2018)

## COMPANY SECRETARY

Mr. Yu Tsz Ngo

## COMPLIANCE OFFICER

Mr. Ng Kin Siu

## LEGAL ADVISER

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

## COMPLIANCE ADVISER

Messis Capital Limited

## AUTHORISED REPRESENTATIVES

Mr. Ng Kin Siu  
Mr. Yu Tsz Ngo

## AUDIT COMMITTEE

Mr. Lau Kwok Fai Patrick (*Chairman*)  
(appointed on 12 January 2018)  
Mr. Chan Yuk Sang (appointed on 12 January 2018)  
Mr. Wan Chi Wai Anthony (appointed on 12 January 2018)  
Mr. Chan Kai Nang (*Chairman*)  
(resigned on 12 January 2018)  
Mr. Chan Chun Hong (resigned on 12 January 2018)  
Mr. Lau Yiu Kit (resigned on 12 January 2018)  
Dr. Wu Chun Wah  
(appointed on 3 November 2017 and  
resigned on 12 January 2018)

## REMUNERATION COMMITTEE

Mr. Wan Chi Wai Anthony (*Chairman*)  
(appointed on 12 January 2018)  
Mr. Gao Yunhong (appointed on 5 January 2018)  
Mr. Chan Yuk Sang (appointed on 12 January 2018)  
Mr. Lau Yiu Kit (*Chairman*) (resigned on 12 January 2018)  
Mr. Chan Chun Hong (resigned on 12 January 2018)  
Mr. Chan Kai Nang (resigned on 12 January 2018)  
Dr. Wu Chun Wah  
(appointed on 3 November 2017 and  
resigned on 12 January 2018)

## NOMINATION COMMITTEE

Mr. Gao Yunhong (*Chairman*)  
(appointed on 5 January 2018)  
Mr. Qi Gang (appointed on 5 January 2018)  
Mr. Chan Yuk Sang (appointed on 12 January 2018)  
Mr. Wan Chi Wai Anthony (appointed on 12 January 2018)  
Mr. Lau Kwok Fai Patrick (appointed on 12 January 2018)  
Mr. Chan Chun Hong (*Chairman*)  
(resigned on 12 January 2018)  
Mr. Chan Kai Nang (resigned on 12 January 2018)  
Mr. Lau Yiu Kit (resigned on 12 January 2018)  
Dr. Wu Chun Wah  
(appointed on 3 November 2017 and  
resigned on 12 January 2018)

# **CORPORATE INFORMATION**

## **AUDITORS**

Deloitte Touche Tohmatsu

## **REGISTERED OFFICE**

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

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## **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 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking  
Corporation Limited

## **WEBSITE ADDRESS**

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

## **STOCK CODE**

1826

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Dafy Holdings Limited (the "**Company**"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017.

## RESULTS

The total revenue of the Group increased by approximately HK\$349.0 million or 88.2% from approximately HK\$395.8 million for the year ended 31 December 2016 to approximately HK\$744.8 million for the year ended 31 December 2017. The Group's profits attributable to shareholders remain stable for two years ended 31 December 2017.

## BUSINESS REVIEW AND PROSPECT

It has been a fruitful year since our Group has reached an important milestone as we have transferred the listing of the Company's shares from the Growth Enterprise Market ("**GEM**") to the Main Board (the "**Transfer of Listing**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 July 2017. The Transfer of Listing recognized the achievement of Group's continuous efforts, we will also strive to draw upon Dafy's experience in innovation to take advantage of new business opportunities that may arise more sustainable growth in shareholders' value and empowers us to capture greater opportunities.

During the year ended 31 December 2017, the overall market condition of the construction industry has been facing the challenges of no material expansion in the relevant market demand, high construction costs and labour shortage. The Group remains cautiously optimistic about the overall business prospects, as we will provide a wide range of quality and professional services to our customers, potential customers and enable us to react to the changing needs of our customers more efficiently and effectively.

We will conduct a detailed review on the existing principal businesses and operations, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group, including 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 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.

## A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, clients, business partners, and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution to the successful Transfer of Listing and throughout the years.

**Gao Yunhong**  
*Chairman*

Hong Kong, 27 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

The Group is principally engaged in (i) contracting service for alteration and addition works, maintenance, specialist works and new development; and (ii) consulting service for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong. 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 offer value-adding services such as providing advice on designs to the Group's customers. This allows the Group to ensure the consistency and quality of work, and provide convenience to the Group's customers.

## CHANGE OF CONTROLLING SHAREHOLDERS

On 17 November 2017, Masterveyor Holdings Limited ("**Masterveyor**") entered into a sales and purchase agreement with Gentle Soar Limited ("**Gentle Soar**"), a company incorporated in the British Virgin Islands (the "**BVI**"), to sell 862,400,000 shares, representing 70% of the entire issued share capital of the Company, to Gentle Soar. The transaction was completed on 20 November 2017. Since 20 November 2017, Gentle Soar and its ultimate beneficial owner, Mr. Gao Yunhong ("**Mr. Gao**"), who was subsequently appointed as the chairman of the Board and executive Director on 5 January 2018, have become the Company's controlling shareholders.

## 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 the 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 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.

## TRANSFER OF LISTING FROM GEM TO MAIN BOARD

On 21 March 2017, the Company submitted the formal application to the Stock Exchange for the transfer of listing of its shares from GEM to the Main Board of the Stock Exchange (the "**Transfer of Listing**") pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). On 30 June 2017, the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange for the Company's shares to be listed on the Main Board. Listing and dealing in shares of the Company on the Main Board has commenced since 10 July 2017.

The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Company's shares. This will strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting professional staff and customers. The Board considers that the Transfer of Listing is beneficial to the future growth, financing flexibility and business development of the Group, and it will create a long-term value to the shareholders of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2017, there were 78 contracting projects and 406 consulting projects (2016: 65 contracting projects and 368 consulting projects) with revenue contribution. The demands for the Group's contracting and consulting services remained at a high level and thus, the revenue of the Group recorded a significant growth in current year.

The Group possesses the expertise and experience to deliver solutions that may add value to its projects. As at 31 December 2017, the Group's in house team of professional staff for both contracting and consulting service comprised of a total of 17 (2016: 18) staff with professional qualifications which maintain the similar level as compared with the prior year. The qualified and experienced staff, including Authorized Persons, Authorized Signatory, surveyors and engineers, can cope with the Group 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.

Moreover, the Group will explore other business opportunities, including 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 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.

In particular, the Group is minded to utilise the business connections that Mr. Gao may have and expand its business into the region of the People's Republic of China (the "PRC"). The Group is in the process of establishing a wholly foreign-owned enterprise in the PRC, namely, 上海飛毓有限公司 (Shanghai Faye Yu Technology Co., Ltd.\*) (subject to the final name as approved and registered by the relevant industry and commerce bureau (工商局) in the PRC) (the "PRC Subsidiary"). The PRC Subsidiary will have a registered capital of RMB5 million which is expected to be paid up by the Group's internal resources. It is intended that the PRC Subsidiary will be principally engaged in the provision of, among other things, computer, information, network and electronic technology development, consulting and advertising in the PRC. The Directors believe that this will diversify the Group's business, maintain the continuous growth of the Group and enhance the long-term growth potential of the Company and its shareholders' value. Taking into account the good prospect and development potential in the market of Mainland China, the Company is currently optimistic about the relevant business that the PRC Subsidiary intends to engage in. The establishment of the PRC Subsidiary will be the Company's proactive attempt to utilise shareholders' resources in expanding its business into the PRC.

## FINANCIAL REVIEW

### Revenue

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

During the year ended 31 December 2017, the revenue from contracting service was the main source of revenue which amounted to approximately HK\$686.2 million (2016: approximately HK\$333.4 million), representing approximately 92.1% (2016: approximately 84.2%) of the Group's total revenue.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from contracting service increased by approximately HK\$352.8 million or 105.8% from approximately HK\$333.4 million for the year ended 31 December 2016 to approximately HK\$686.2 million for the year ended 31 December 2017. The increase was mainly due to increase in number of contracting projects with a larger contract sum for the year ended 31 December 2017.

The revenue from consulting service for the year ended 31 December 2017 was approximately HK\$58.6 million (2016: approximately HK\$62.4 million), representing approximately 7.9% (2016: approximately 15.8%) of the Group's total revenue.

The revenue from consulting service decreased by approximately HK\$3.8 million or 6.1% from approximately HK\$62.4 million for the year ended 31 December 2016 to approximately HK\$58.6 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in the number of consulting projects with larger contract sum for the year ended 31 December 2017.

The total revenue of the Group increased by approximately HK\$349.0 million or 88.2% from approximately HK\$395.8 million for the year ended 31 December 2016 to approximately HK\$744.8 million for the year ended 31 December 2017. The increase was mainly due to the combined effect of the substantially increase in revenue from contracting services and slightly decrease in revenue from consulting services.

### Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately HK\$6.9 million or 10.4% from approximately HK\$66.5 million for the year ended 31 December 2016 to approximately HK\$73.4 million for the year ended 31 December 2017, while the gross profit margin of the Group decreased from approximately 16.8% for the year ended 31 December 2016 to approximately 9.9% for the year ended 31 December 2017.

The gross profit of contracting service increased by approximately HK\$19.9 million or 45.9% from approximately HK\$43.4 million for the year ended 31 December 2016 to approximately HK\$63.3 million for the year ended 31 December 2017, while the gross profit margin of the contracting services decreased from approximately 13.0% for the year ended 31 December 2016 to approximately 9.2% for the year ended 31 December 2017.

The increase in gross profit of contracting service was mainly driven by the increasing demand for the Group's contracting service and the execution of few contracting projects with relatively low gross profit margin, thus increase in gross profit and decrease gross profit margin are resulted for the year ended 31 December 2017.

The gross profit of consulting service decreased by approximately HK\$13.0 million or 56.3% from approximately HK\$23.1 million for the year ended 31 December 2016 to approximately HK\$10.1 million for the year ended 31 December 2017, and the gross profit margin of the consulting services decreased from approximately 37.0% for the year ended 31 December 2016 to approximately 17.2% for the year ended 31 December 2017.

The decrease in gross profit in consulting service was mainly driven by (i) the Group had continuously offered a deeper discount to the customers in order to maintain the competitiveness in the market; and (ii) the Group has hired more experience and professional staff which resulted in the overall increase in the staff costs. Thus, the gross profit and gross profit margin of consulting service has dropped for the year ended 31 December 2017.

The overall increase in the gross profit of the Group was mainly contributed by the increase in gross profit in contracting services. The decrease in gross profit margin of the Group was mainly contributed by the Group has executed of few contracting projects with low profit margin and the aforementioned reasons for the decrease in gross profit margin in consulting service.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Other income of the Group increased by approximately HK\$695,000 or 1,828.9% from approximately HK\$38,000 for the year ended 31 December 2016 to approximately HK\$733,000 for the year ended 31 December 2017. The increase was mainly due to the net reimbursement of approximately HK\$165,000 from the insurance company relating to a compensation to an injured worker and the over-provision on the interest expense of the Group's advance from customer of approximately HK\$451,000 for the year ended 31 December 2017.

## Other losses

Other losses of the Group decreased by approximately HK\$158,000 or 48.5% from approximately HK\$326,000 for the year ended 31 December 2016 to approximately HK\$168,000 for the year ended 31 December 2017. The decrease was mainly due to the decrease in the impairment losses recognised on trade receivables by approximately HK\$211,000 from approximately HK\$322,000 for the year ended 31 December 2016 to approximately HK\$111,000 for the year ended 31 December 2017.

## Other expenses

Other expenses of the Group increased by approximately HK\$2,273,000 or 1,578.5% from approximately HK\$144,000 for the year ended 31 December 2016 to approximately HK\$2,417,000 for the year ended 31 December 2017. The increase was mainly due to: (i) the legal and professional fee for the Transfer of Listing amounting to approximately HK\$1,155,000; and (ii) donation to The Community Chest amounting to HK\$1,000,000 during the year ended 31 December 2017.

## Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$4.9 million or 17.6% from approximately HK\$27.8 million for the year ended 31 December 2016 to approximately HK\$32.7 million for the year ended 31 December 2017.

Administrative expenses primarily consist of rental expenses, staff costs and professional and other costs in relation to the compliance with the Listing Rules. The increase was mainly attributable to the increase in staff costs paid to directors and staff due to business expansion during the year.

## Finance Costs

Finance costs for the Group remain stable for two years ended 31 December 2017 (2017: approximately HK\$0.7 million, 2016: approximately HK\$0.6 million).

## Income Tax Expense

Income tax expense for the Group increased by approximately HK\$0.5 million or 7.7% from approximately HK\$6.5 million for the year ended 31 December 2016 to approximately HK\$7.0 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in profit before tax from approximately HK\$37.7 million for the year ended 31 December 2016 to approximately HK\$38.2 million for the year ended 31 December 2017.

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

Profit and total comprehensive income for the year attributable to the owners of the Company remain stable of approximately HK\$31.2 million for the two years ended 31 December 2017.

It was primarily attributable to the net effect of (i) the increase in the administrative expenses and other expenses incurred by the Group for the year ended 31 December 2017; and (ii) the increase in revenue and gross profit for the year ended 31 December 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

The current ratio remained stable at approximately 1.4 times as at 31 December 2017 to 1.6 times as at 31 December 2016.

As at 31 December 2017, the Group's advances from customers of approximately HK\$6.6 million, which bear interest at 0%–5.25% per annum (2016: HK\$10.5 million, which bear interest at 0%–3% per annum). In addition, the Group had bank borrowings of approximately HK\$52.6 million as at 31 December 2017 (2016: approximately HK\$4.4 million). The gearing ratio, calculated based on the total borrowings including interest-bearing advances from customers and bank borrowings divided by total equity at the end of the year and multiplied by 100%, increased to approximately 53.1% as at 31 December 2017 from approximately 16.5% as at 31 December 2016. The increase in gearing ratio mainly resulted by the increase in bank borrowing for the year ended 31 December 2017 in order to cope with the business expansion. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 30 September 2015 and transferred to the Main Board of the Stock Exchange on 10 July 2017. There has been no change in the capital structure of the Group for the year ended 31 December 2017. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2016 and 2017, 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\$3.6 million as at 31 December 2017 (2016: approximately HK\$5.7 million).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2017, the Group did not have other 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

During the financial year ended 31 December 2017, 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 that issue such surety bonds.

As at 31 December 2017, the outstanding amount of surety bonds of the Group was approximately HK\$30,589,000 (2016: HK\$11,600,000).

Save as disclosed above, as at 31 December 2016 and 2017, the Group did not have other material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK\$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

## CHARGE OF GROUP'S ASSETS

As at 31 December 2017, the Group's pledged its bank deposit to a bank of approximately HK\$36.0 million (2016: approximately HK\$18.4 million) to secure the guarantee line for issuing surety bonds and general banking borrowing facilities with amount of approximately HK\$117.4 million (2016: approximately HK\$48.1 million).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total of 235 employees (2016: 176 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$93.8 million for the year ended 31 December 2017 (2016: approximately HK\$71.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of 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.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Group dated 23 September 2015 (the "Prospectus") with the Group's actual business progress for the period from 30 September 2015 (the "Date of Listing") to 31 December 2017 is set out below:

Business objectives	Actual progress
Further developing the Group's contracting and consulting business	The Group has used HK\$12.5 million to further develop the Group's contracting business by undertaking more contracting projects.
Further expanding the scope of services	The Group has used HK\$2.0 million for recruiting staff with experience in foundation work to expand the relevant service area. The Group's application for the registration as a registered specialist contractor (foundation) is lapsed. The Group intends to re-apply for the aforementioned application during the year ending 31 December 2018.
Further strengthening the Group in house team of professional staff	The Group has used HK\$4.8 million for recruiting 9 middle to senior level surveying and engineering staff to cope with the business development and paid the additional staff costs for retaining the aforesaid additional employees for the period.
General working capital	The Group has used approximately HK\$1.1 million for the general working capital requirements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

The net proceeds from the 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. The unused amount of the net proceeds from the Listing as at 31 December 2017 was approximately HK\$1.5 million. The Group will continue to utilise the unused amount of the net proceeds from the Listing for the planned business objectives.

An analysis of the planned amount utilised up to 31 December 2017 is set out below:

	Planned amount utilised up to 31 December 2017 HK\$'million	Actual utilised amount as at 31 December 2017 HK\$'million	Unutilised amount out of the planned amount as at 31 December 2017 HK\$'million
Further developing the Group's contracting and consulting business	12.5	12.5	—
Further expanding the scope of services	3.5	2.0	1.5
Further strengthening the Group in house team of professional staff	4.8	4.8	—
General working capital	1.1	1.1	—
	21.9	20.4	1.5

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board recognises that the transparency and accountability is 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 15 to the GEM Listing Rules (for the period before 10 July 2017 where the Company's shares were listed on GEM) and Appendix 14 to the Listing Rules (for the period commencing on 10 July 2017 where the Company's shares were transferred from GEM to the Main Board). 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.

During the year ended 31 December 2017, Mr. Ng Kin Siu assumed the role 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 Yunhong as chairman of the Board on 5 January 2018, the role of chairman and chief executive is 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 2017.

## 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 Rules 5.46 to 5.67 of the GEM Listing Rules (for the period before 10 July 2017 where the Company's shares were listed on the GEM) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules (for the period commencing on 10 July 2017 where the Company's shares were transferred from GEM to the Main Board). 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 2017.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

As at 31 December 2017, the Board comprised seven Directors, including three executive Directors, namely Mr. Ng Kin Siu, Mr. Chung Yuk Ming, Christopher and Mr. Ip Kong Ling, and four independent non-executive Directors are Mr. Chan Chun Hong, Mr. Chan Kai Nang, Mr. Lau Yiu Kit and Dr. Wu Chun Wah.

Mr. Ng Kin Siu was the chairman (the “**Chairman**”) of the Board.

As at the date of this report, the Board comprised seven Directors, including four executive Directors, namely, Mr. Gao Yunhong, Ms. Zhu Wenhui, Mr. Qi Gang and Mr. Ng Kin Siu, and three independent non-executive Directors, namely, Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick. Mr. Gao Yunhong was the chairman.

## RESPONSIBILITIES OF THE BOARD

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company’s policies and practices on corporate governance, reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements, and reviewing the Company’s compliance with the CG Code. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) of the Company.

The biographical details of the Directors and other senior management are set out in the section headed “**Biographical Details of Directors and Senior Management**” of this annual report.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles 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.

During the year ended 31 December 2017, Mr. Ng Kin Siu assumed the role of both chairman of the Company 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 Yunhong as chairman of the Company on 5 January 2018, the role of chairman and chief executive is no longer performed by the same individual and there is clear division of responsibilities between the chairman and chief executive of the Company.

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the “**Board Diversity Policy**”) for the year ended 31 December 2017 and up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

### Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board’s composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

### Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### Implementation and Monitoring

The Nomination Committee reviewed the Board’s composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2017.

## BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the year ended 31 December 2017, 7 Board meetings were held. The attendance record of each Director at the Board meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings
<b>Executive Directors</b>	
Mr. Ng Kin Siu	7/7
Mr. Chung Yuk Ming, Christopher	7/7
Mr. Lai Pak Wei (“ <b>Mr. Lai</b> ”)	4/4 (note)
Mr. Ip Kong Ling (“ <b>Mr. Ip</b> ”)	3/3 (note)
<b>Independent non-executive Directors</b>	
Mr. Chan Chun Hong	7/7
Mr. Chan Kai Nang	7/7
Mr. Lau Yiu Kit	7/7
Dr. Wu Chun Wah (“ <b>Dr. Wu</b> ”)	3/3 (note)

Note: Mr. Lai has been resigned as executive Director on 3 November 2017.  
Mr. Ip was appointed as executive Director since 3 November 2017.  
Dr. Wu was appointed as independent non-executive Director on 3 November 2017.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2017, an annual general meeting of the Company was held on 28 April 2017 (the "2017 AGM").

Name of Directors	Number of attendance/ number of general meeting
Mr. Ng Kin Siu ( <i>Chairman</i> )	1/1
Mr. Chun Yuk Ming, Christopher	1/1
Mr. Lai Pak Wei	1/1
Mr. Chan Chun Hong	1/1
Mr. Chan Kai Nang	1/1
Mr. Lau Yiu Kit	1/1
Dr. Wu Chun Wah <sup>(Note)</sup>	N/A

Note: Dr. Wu Chun Wah was appointed as independent non-executive Director on 3 November 2017.

## CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements. The Board is also responsible for developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors and reviewing the Company's compliance with the code and disclosure in the corporate governance report. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "Articles") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a term of three years subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independency pursuant to Rule 3.13 of the Listing Rules and the Company considers these independent non-executive Directors to be independent.

# CORPORATE GOVERNANCE REPORT

## CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends the Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

According to the training record maintained by the Company, during the year ended 31 December 2017, all the Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of trainings
<b>Executive Directors</b>	
Mr. Ng Kin Siu	i
Mr. Chung Yuk Ming, Christopher	i, ii
Mr. Lai Pak Wei	i, ii
Mr. Ip Kong Ling	i
<b>Independent non-executive Directors</b>	
Mr. Chan Chun Hong	i, ii
Mr. Chan Kai Nang	i, ii
Mr. Lau Yiu Kit	i, ii
Dr. Wu Chun Wah	i

- i. reading journals and newspaper updates on corporate governance and directors' duties and responsibility.
- ii. attending training/seminars/conferences arranged by the professional firms/organisations.

## BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available on the website of the Stock Exchange and the Company.

## 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.

During the year ended 31 December 2017, the Audit Committee consisted of four independent non-executive Directors, namely Mr. Chan Kai Nang, Mr. Chan Chun Hong, Mr. Lau Yiu Kit and Dr. Wu Chun Wah. The chairman of the Audit Committee was Mr. Chan Kai Nang, who has appropriate professional qualifications and experience in accounting matters.

## CORPORATE GOVERNANCE REPORT

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

The Audit Committee is mainly responsible for the followings:

- (a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and to monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;
- (c) to monitor the integrity of the Company's annual report, interim financial reports and quarterly reports before submission to the Board, and to focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- (d) to oversee of the Company's financial reporting system, risk management and internal control systems
  - (i) reviewing the Company's financial controls, accounting policies and the risk management and internal control systems;
  - (ii) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
  - (iii) where an internal audit function exists, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
  - (iv) reviewing the external auditors' management letter and management's response;
  - (v) ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter;

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2017, the Audit Committee held three meetings to consider and approve the following:

- (a) to review the Group's consolidated financial result for the year ended 31 December 2016, the three months ended 31 March 2017 and the six months ended 30 June 2017 before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting of the Audit Committee;
- (b) to discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management;
- (c) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

The individual attendance record of each member of the Audit Committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Chan Kai Nang (Chairman)	3/3
Mr. Chan Chun Hong	3/3
Mr. Lau Yiu Kit	3/3
Dr. Wu Chun Wah (Note)	N/A

Note: Dr. Wu was appointed as independent non-executive Director on 3 November 2017.

The Group's audited annual results in respect of the year ended 31 December 2017 have been reviewed by existing members of the Audit Committee.

There was no disagreement between the Board and the Audit Committee on the selection, appointment of the external auditors during the year ended 31 December 2017.

## REMUNERATION COMMITTEE

The Remuneration Committee has been established and during the year ended 31 December 2017 it consisted of four independent non-executive Directors namely Mr. Lau Yiu Kit, Mr. Chan Chun Hong, Mr. Chan Kai Nang and Dr. Wu Chun Wah, with Mr. Lau Yiu Kit as the chairman of the Remuneration Committee.

The Remuneration Committee currently consists of one executive Director, namely, Mr. Gao Yunhong, and two independent non-executive Directors, namely, Mr. Chan Yuk Sang and Mr. Wan Chi Wai Anthony, with Mr. Wan Chi Wai Anthony as the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The main roles and functions of the Remuneration Committee include the followings:

- (a) to establish a formal and transparent procedure for developing remuneration policy;
- (b) to recommend to the Board the policy and structure for the remuneration of directors and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;

## CORPORATE GOVERNANCE REPORT

- (c) to determine the remuneration of directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The chairman and/or the managing director shall be consulted respectively about their proposals relating to the remuneration of the managing director and/or senior management, as the case may be;
- (d) to review and to approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be consistent with contractual terms and fair and not excessive;
- (e) to determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and
- (f) to consider the annual performance bonus for executive directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to corporate goals and objectives resolved by the Board, and make recommendation of the Board.

The individual attendance record of each member of the Remuneration Committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Lau Yiu Kit (Chairman)	2/2
Mr. Chan Kai Nang	2/2
Mr. Chan Chun Hong	2/2
Dr. Wu Chun Wah (Note)	N/A

Note: Dr. Wu was appointed as independent non-executive Director on 3 November 2017.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 10 to the consolidated financial statements.

During the year ended 31 December 2017, two Remuneration Committee meetings were held, at which the Remuneration Committee (i) reviewed the performance of individual executive Directors and senior management for the Year; and (ii) made recommendations to the Board for consideration on their discretionary bonuses for the Year.

### NOMINATION COMMITTEE

The Nomination Committee has been established and during the year ended 31 December 2017 it consisted of four independent non-executive Directors namely Mr. Chan Chun Hong, Mr. Lau Yiu Kit, Mr. Chan Kai Nang and Dr. Wu Chun Wah, with Mr. Chan Chun Hong as the chairman of the Nomination Committee.

The Nomination Committee currently consists of two executive Directors, namely, Mr. Gao Yunhong, Mr. Qi Gang, and three independent non-executive Directors, namely, Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick, with Mr. Gao Yunhong as the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange.

# CORPORATE GOVERNANCE REPORT

The main roles and functions of the Nomination Committee include the followings:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually to complement the Company's corporate strategy;
- (b) to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise;
- (c) to make recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive;
- (d) to assess the independence of independent non-executive Directors; and
- (e) to implement and to review the Board Diversity Policy to ensure its effectiveness; and to make disclosure of its review results in the corporate governance report of the Company's annual report.

The individual attendance record of each member of the Nomination Committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Chan Chun Hong (Chairman)	2/2
Mr. Chan Kai Nang	2/2
Mr. Lau Yiu Kit	2/2
Dr. Wu Chun Wah (Note)	N/A

Note: Dr. Wu was appointed as independent non-executive Director on 3 November 2017.

During the year ended 31 December 2017, two Nomination Committee meetings were held, at which the Nomination Committee (i) reviewed the structure, size and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed the Board Diversity Policy; and (iv) recommended to the Board for consideration the re-election of all the retiring Directors at the 2017 AGM.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by the external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report on pages 47 to 51 of this annual report.

# **CORPORATE GOVERNANCE REPORT**

## **INTERNAL CONTROL AND RISK MANAGEMENT**

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted regularly. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the sound and effective internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implement the risk management framework into the daily operation.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

## **OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL**

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group's with the acceptable safety levels and achieve the Group's strategic objectives. The Group has adopted a three line risk management approach to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, department staff/frontline employees who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the Audit Committee with the advices and opinions from the external professional party (such as the external auditor) and the internal audit function, to conducted the review in annual basis and ensures that the first and second lines of defence are performed effectively. The Board has conducted a review of, and is satisfied with the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 December 2017, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	2017 HK\$'000	2016 HK\$'000
Fees paid/payable for the services rendered		
Statutory audit services	1,150	980

## COMPANY SECRETARY

Mr. Yu Tsz Ngo ("**Mr. Yu**") was appointed as the company secretary of the Company on 15 May 2015. Mr. Yu has taken no less than 15 hours of relevant professional training for the year ended 31 December 2017. The biographical details of Mr. Yu are set out under the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

## SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at a shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

## PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting ("**EGM**") are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

- (a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition;
- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at 6th Floor, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

## CORPORATE GOVERNANCE REPORT

- (c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;
- (d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;
- (e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

### PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition to convene an EGM following the procedures set out above.

### PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "**Corporate Information**" of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at 6th Floor, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

During the year ended 31 December 2017, there had been no significant change in the Company's constitutional documents.

# CORPORATE GOVERNANCE REPORT

## NON-COMPETITION UNDERTAKINGS

Prior to 20 November 2017, the controlling shareholders of the Company were Masterveyor Holdings Limited ("**Masterveyor**") and Mr. Ng Kin Siu. On 17 November 2017, Masterveyor entered into a sale and purchase agreement with Gentle Soar Limited ("**Gentle Soar**") to sell 862,400,000 shares, which represent 70% of the entire issued share capital of the Company, to Gentle Soar. The transaction was completed on 20 November 2017. Hence, Masterveyor and Mr. Ng Kin Siu ceased to be the controlling shareholders of the Company. Each of Masterveyor and Mr. Ng Kin Siu (together as the "**then Controlling Shareholders**") has made a declaration to the Company that from 1 January 2017 to 20 November 2017, it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. The Non-Competition Undertakings ceased to have any effect upon the then Controlling Shareholders ceased to be the controlling shareholders of the Company. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by each of the then Controlling Shareholders with the undertakings in the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong during the year ended 31 December 2017 and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules (for the period before 10 July 2017 where the Company's shares were listed on GEM) and Appendix 27 of the Listing Rules (for the period commencing on 10 July 2017 where the Company's shares were transferred from GEM to the Main Board) ("ESG Reporting Guide").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the Period. For details of the Group's financial performance and corporate governance matters, please refer to other sections in the annual report of the Company of which this ESG Report forms part.

## STAKEHOLDERS' ENGAGEMENT

The Group focus on developing the long-term value for its stakeholders, who comprise the Group's employees, customers, investors, suppliers and contractors, and the community. The Company interact with stakeholders through various channels to understand the views of various stakeholders and collect their feedback, in order to better satisfy their demands and expectations. Our communication channels with our stakeholders include company website, annual general meeting, annual reports and interim reports, staff meetings, customers and suppliers meetings, etc.

## GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

### Emissions

The Group engaged in the construction industry which may generate some hazardous waste due to the business nature. The Group takes all reasonable steps to closely monitor and manage the environmental effect of the operations. The Group targets to minimize the impact on the environment and always seeks less harmful ways to the environment in the operations. The Group has adopted the emission control measures, including but not limiting to: i) use of ultra-low sulphur diesel for plants and generators; ii) use of non-road mobile machinery approved with EPD label; iii) use of air compressor and hand held percussive breaker with noise emission label; iv) trip-ticket system to record disposal of construction waste to disposal facilities; and v) open burning is prohibited in all sites. During the year ended 31 December 2017, the Group did not identify any material non-compliance related to emissions.

	2017	2016
<b>Air Emission</b>		
<b>Types of air emissions and respective emission data)</b>		
NOx (kg)	7.92	0.29
SOx (kg)	0.20	0.13
PM (kg)	0.58	0.02
<b>Carbon dioxide equivalent (CO<sub>2</sub>e) Emissions</b>		
Direct Emission (Scope 1) (tonnes)	163	132
Indirect Emission (Scope 2) (tonnes)	591	99
Indirect Emission (Scope 3) (tonnes)	39	72
Total Emission (tonnes)	793	303
<b>Inert Material</b>		
<b>Construction and Demolition (C&amp;D) Waste</b>		
C&D Waste (Fill Bank) (tonnes)	7,611	6,625
C&D Waste (Sorting Facility) (tonnes)	2,638	700
C&D Waste (Landfill) (tonnes)	2,445	881
Total C&D Waste (tonnes)	12,694	8,206

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Use of Resources

The Group is committed to having an environmental friendly working environment. The Group advocates to reducing the consumption of fuel, electricity and improving the resource efficiency by way of: i) the Group encourages employees to switch off the lights and electronic appliances before they leave the office; ii) the Group encourages the employee to set the temperature of the office's air conditioner to 25.5 Degree Celsius ; iii) the Group encourages its employee to use double-sided printing instead of single-sided printing; and iv) the Group arranges the surplus materials on the construction site to be re-used in other construction sites instead of dumping.

In 2017, there is no water fetching problem in our daily business.

## Use of Resources

	2017	2016
<b>Electricity Intensity</b>		
Total Electricity consumption (kWh)	<b>787,664</b>	139,990
Electricity Intensity (kWh/Staff/Day)	<b>10.325</b>	2.09
<b>Water Intensity</b>		
Total Water consumption (m <sup>3</sup> )	<b>3,601.8</b>	1,629.8
Water Consumption Intensity (m <sup>3</sup> /Staff/Day)	<b>0.047</b>	0.024

## The Environment and Natural Resources

The Group has developed the Environmental Management System which has been certified to comply with ISO 14001. The Group set up the Environmental Information Board in office in order to spread the practical tips and information about the environmental friendly action to the management and employees in order to minimize the impact of the business on the environment.

We must identified and recorded site environmental aspects in operation, storage, waste management, distribution and disposal, etc. in Register of Environmental Aspects for monitoring and mitigating our environmental impact.

## EMPLOYMENT

The Group regards people as its greatest asset. To underline this fact, the Group has established clear policies and guidelines to attract and retain talent. The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. The Group delivers a fair and safe working environment for employees to support their career advancement and also fosters their personal development.

### Summary of employment performance indicators:

	2017		2016	
<b>Number of Employees</b>		<b>235</b>		176
<b>By Gender</b>				
Female	<b>65</b>	<b>28%</b>	52	30%
Male	<b>170</b>	<b>72%</b>	124	70%
<b>By Age</b>				
18 or below		–		–
19 to 40		<b>148</b>		109
41 to 60		<b>79</b>		60
Over 60		<b>8</b>		7

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Diversity

2017					
Number of Employees by Employee Category	Gender		Age Group		
	Female	Male	19 to 40	41 to 60	Over 60
Management	6	38	18	25	1
Technical/Supervisor	1	21	12	10	–
General staff	58	111	118	44	7

2016					
Number of Employees by Employee Category	Gender		Age Group		
	Female	Male	19 to 40	41 to 60	Over 60
Management	9	31	16	22	2
Technical/Supervisor	1	13	9	5	–
General staff	42	80	84	33	5

## Turnover Rate

	2017	2016
<b>Number and Rate (%) of Employee Turnover</b>	<b>118/235 (50%)</b>	54/176 (31%)
<b>By Gender</b>		
Female	<b>32/65 (49%)</b>	17/52 (33%)
Male	<b>86/170 (51%)</b>	37/124 (30%)

## HEALTH AND SAFETY

### Summary of Health and Safety Performance Indicators

	2017	2016
Work-related fatalities (Case)	–	–
Lost days due to work injury (Day)	<b>1,125</b>	23

The Group places the highest priority on securing occupational safety and health of all the employees. More than complying with relevant occupational safety and health legislations of Hong Kong, we endeavour to protect the employees from work related accidents/injuries.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Safety Audit

Safety audits were conducted periodically in office (corporate level) and on site (project) according to the statutory requirements of Factories and Industrial Undertakings (Safety Management) Regulation, to check the efficiency, effectiveness and reliability of the safety management and set up plan for further improvement actions.

## OHSAS 18001

Occupational Safety Management System was developed. Not only to comply with the statutory requirements, the system has been certified to comply with an international standard of OHSAS 18001 since 2016. This standard is implemented to all projects and is continuously undergoing improvement with latest international trends.

During the year ended 31 December 2017, the Group did not identify any material non-compliance cases relating to health and safety.

## DEVELOPMENT AND TRAINING

The Group believes that people development plays the most pivotal role in laying a solid ground for business growth. The Group encourages long-term growth and career development by allocating sufficient resources to people development. Besides on-the-job training, employees are encouraged to participate in internal and external training to strengthen their capacity, work skills, knowledge and professionalism.

### Summary of Development and Training Performance Indicators

By Employee Category and Gender	2017			
	Total Training Hours		Total Percentage	
	Female	Male	Female	Male
Management	30	129	28%	30%
Technical/Supervisor	12	315	4%	12%
General staff	81	190	38%	81%

By Employee Category and Gender	2016			
	Total Training Hours		Total Percentage	
	Female	Male	Female	Male
Management	14	130	22%	61%
Technical/Supervisor	–	490	–	38%
General staff	20	290	5%	25%

## LABOUR STANDARDS

The Group strictly complies with the Employment Ordinance Chapter 57 of the Laws of Hong Kong and fully understands that employing child labour and forced labour is prohibited. The Group reviews the job applicant's identity information during the recruitment process and the applicant is also required to provide document proofs of academic qualifications and working experience for verifications. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all the employment relationship is established on a voluntary basis. During the year ended 31 December 2017, the Group did not identify any non-compliance cases involving child labour and forced labour and complied with all relevant laws and regulations relating to employment and labour practices.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUPPLY CHAIN MANAGEMENT

### Sustainable Procurement

To ensure the Group's service quality, the Group's policy in relation to the subcontractors and suppliers is to select only those subcontractors and suppliers on an approved list who has passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group aims to maintain the partnership with suppliers and works together in order to promote sustainable development of the industry. The Group performs the evaluation of a supplier on an annual basis to make sure the performance of the subcontractors and suppliers are up to the standard. The assessment mainly includes but is not limited to the professional qualification, services/products quality, financial status, operation in good integrity, social responsibility, etc. When the evaluation result of the suppliers or subcontractors are not satisfactory, the respective suppliers or subcontractors may be removed from the approval list.

	2017	2016
<b>Number of key suppliers/subcontractors</b>	<b>136</b>	94
<b>By region</b>		
Japan	–	1
Hong Kong	<b>131</b>	92
PRC	<b>2</b>	1
Spain	<b>1</b>	–
United Kingdom	<b>2</b>	–

## PRODUCTS RESPONSIBILITY

The Group recognizes the importance of the quality of the services provided by the Group. The Group has established relevant policies which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations.

The Group communicates and confirms the work plan with customer before the commencement of the project and actively monitors and processes and coordinates with the customer. For the year ended 31 December 2017, the Group did not have any material complaints or request to terminate projects due to poor quality and safety. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

The Group also recognizes the importance of the intellectual property right. The management and relevant department review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with relevant law and regulation of data privacy. All confidential data of customers can only be assessed by the staffs who are responsible for the projects for relevant clients.

For the year ended 31 December 2017, the Group did not identify any non-compliance cases relating to product responsibility.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ANTI-CORRUPTION

The Group realizes the importance of staff integrity, and the Group has established the Code of Conduct (“CoC”) for all employees. With reference to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), advice from the Independent Commission Against Corruption (ICAC), industry practice and internal consideration, CoC is made for the purpose of providing employees with the guidance for allowable acceptance of gifts or entertainment, conflict of interest, handling of confidential information, and whistle-blowing procedure. In line with the CoC, the Group has also partnered with ICAC to organise talks on fighting corruption in the construction industry in particular, as refresher training for its staff.

Employees are also required to comply strictly with applicable laws relating to the above acts. The Group has adopted and circulated internally clear guidelines for employees. During the year ended 31 December 2017, the Group did not receive any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

## COMMUNITY INVESTMENT

### Supporting Education

The Group firmly believes that investing in youth education is crucial for the long-term sustainability of the Company and the industry. Thus, we provided internship programme for undergraduate student through practical working experience to support talent development.

### Caring for the Society

Corporate social responsibility via staff volunteerism, philanthropy and community service is the core values of the Group. We have actively participated in charitable donations, caring for people in need, as well as supporting and sponsoring educational and environmental protection activities.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. GAO Yunhong (高雲紅)**, aged 44, is the chairman of the Board and an executive Director responsible for the overall business development and strategic planning of the Group. He is currently the sole shareholder and the sole director of Gentle Soar Limited. Mr. Gao is an experienced business entrepreneur and is the founder of Dafy Group, which comprises Shenzhen Dafy Finance Holdings Co. Ltd. (“**Dafy Finance Holdings**”), a company principally engaged in provision of financial technology and related services based in Shenzhen, the PRC, and its subsidiaries. Mr. Gao also has experience in properties investment and development in the PRC.

Mr. Gao was not a director in any listed companies for the last three preceding years.

**Ms. ZHU Wenhui (朱文會)**, aged 33, is an executive Director responsible for the overall business development and strategic planning of the Group. She is currently a vice president of Dafy Finance Holdings and chairman of 云智惠(北京)投資管理有限公司 (Yunzhahui (Beijing) Investment Management Limited). She has been principally involved in business development, branding strategic planning and team management of these companies. Ms. Zhu is presently receiving training in relation to worldwide portfolio management and assets allocation from the PBC School of Finance of Tsinghua University in the PRC, and she completed the courses of Internet Finance and Wealth Management from the PBC School of Finance of Tsinghua University in 2015 and 2017, respectively. She also completed a course in International Economy and Trading organised by Beijing Business Management College (北京企業管理研修學院) in the PRC in July 2009.

Ms. Zhu was not a director in any listed companies for the last three preceding years.

**Mr. QI Gang (齊剛)**, aged 50, is an executive Director responsible for the overall business development and strategic planning of the Group. He is currently a vice president of Dafy Finance Holdings. He is responsible for managing and implementing all financing related projects, and overseeing the business operation of such company. Mr. Qi has extensive experience in business management and structured financing for commercial properties in the PRC and the U.S.. He used to work as an executive director at Ping An Securities Company Limited, an executive director at Morgan Stanley, a vice president at Barclays Capital Inc. and an associate at Goldman Sachs Group, Inc. He obtained a Master Degree in Statistics from New York University, U.S., a Master Degree in Finance from Boston College, U.S., and a Master Degree in Business Administration from Bowling Green State University, U.S..

Mr. Qi was not a director in any listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. NG Kin Siu, (吳建韶)**, aged 50, is the founder of the Group. He was the chairman of the Board during the year ended 31 December 2017 and up till 4 January 2018, an executive Director and the compliance officer of the Company and is responsible for the overall business development and strategic planning of the Group. He was appointed as an executive Director on 19 March 2015. He is also a director of Fruit Design & Build Limited ("**Fruit Design**"), Harvest Building Consultancy Limited ("**Harvest Building**"), Marvo Architecture Limited, Win Lee Building Engineering Limited ("**Win Lee Building**") and Win Lee (Project Team B) Construction Limited. On 16 March 2017, he is appointed as a director of Sky Global Construction Limited.

He graduated from The Robert Gordon University in the United Kingdom in June 1993 with a degree of Bachelor of Science in building surveying. He has been a member of The Hong Kong Institute of Surveyors since March 1997, a member of The Royal Institution of Chartered Surveyors since December 1996 and registered as a registered professional surveyor with the Surveyors Registration Board in July 1999. He has been an Authorized Person since December 2007 and a Registered Inspector in Hong Kong since 3 October 2012. He has also been the technical director for Win Lee Building's registration of registered general building contractor and registered specialist contractor (demolition) since June 2009 and May 2009, respectively.

He has extensive experience with building surveying and is familiar with the Buildings Ordinance in Hong Kong. Prior to founding the Group, he had been working in the Buildings Department from April 1997 to March 2008, with last position being held as a building surveyor.

Mr. Ng was not a director in any listed companies for the last three preceding years.

**Mr. CHUNG Yuk Ming, Christopher (鍾育明)**, aged 44, was appointed as an executive Director on 9 August 2016 and resigned on 5 January 2018, and is also the project director of the Group principally responsible for organising, managing and supervising contracting projects. He joined the Group in September 2014. He obtained a degree of Bachelor of Science in Building Surveying from City University of Hong Kong in November 1995, a degree of Master of Science in Urban Planning from the University of Hong Kong in December 1999 and a degree of Bachelor of Laws from the Manchester Metropolitan University (a distance learning course) in July 2006. He has been a Registered Construction Manager of Hong Kong Institute of Construction Manager in February 2016, a member of the Hong Kong Institute of Directors in October 2015, a professional member of the Royal Institution of Chartered Surveyors since August 2015, member of the Royal Town Planning Institute since January 2009 and a member of Hong Kong Institute of Construction Manager since August 2005. He has been approved as the Authorized Signatory by the Building Authority for Fruit Design in September 2015. He has over 20 years of experience in the construction industry. Prior to joining the Group, he worked in China International Fund Limited from April 2007 to August 2010 and from October 2012 to March 2014 with the last position as Head of Projects and Penta Ocean Construction Co. Ltd from August 1995 to July 2005 with the last position as Construction Manager. Mr. Chung has been an independent non-executive director of Lap Kei Engineering (Holdings) Limited (Stock Code: 1690) since September 2015.

Save as disclosed above, Mr. Chung has not held any directorship in other listed companies in the past three years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Ip Kong Ling (葉江凌)**, aged 43, was appointed as an executive Director on 3 November 2017 and resigned on 12 January 2018, and is the director of Licensing Consultancy Department of the Group principally responsible for the overall operation of the Group's licensing consultancy, project management business and management of site work. Mr. Ip joined the Group in May 2009. He obtained a degree of Bachelor of Science in Facilities Management (Top Up) from University of Central Lancashire (a distance learning course) in December 2007. Mr. Ip has over 15 years of experience in the construction industry. Prior to joining the Group, he worked in Cheung Kong Centre Property Management Limited from May 1999 to May 2009 and his last position was engineer in technical services department. He is also a director of Solomon Consulting & Contracting Limited and Fruit Design & Build Limited, both of which are indirect wholly-owned subsidiaries of the Company.

Mr. Ip was not a director in any listed companies for the last three preceding years.

**Mr. LAI Pak Wei (黎伯偉)**, aged 47, was appointed as an executive Director on 15 May 2015 and resigned on 3 November 2017. Mr. Lai graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a degree of Bachelor of Science in building surveying in October 1992, and obtained a degree of Master of Science in construction and real estate from The Hong Kong Polytechnic University in October 2012. Mr. Lai also received a Postgraduate Certificate in Building Engineering from School of Professional and Continuing Education of The University of Hong Kong in April 2014. Mr. Lai has been admitted as a member of The Hong Kong Institute of Surveyors in July 2013, a professional member of The Royal Institution of Chartered Surveyors in November 2011, a member of the Chartered Institute of Building in October 2012, a member of the Chartered Institute of Arbitrators in January 2013 and a registered professional surveyor with the Surveyors Registration Board in October 2014. Mr. Lai has been an Authorized Person since 30 March 2015. Mr. Lai has also been approved by the Building Authority to act as the technical director for FDBL's registration of registered general building contractor in September 2014. Mr. Lai has over 20 years of experience in the construction industry. Prior to joining the Group, he worked in Dennis Lau & Ng Chun Man Architects & Engineers (H.K.) Limited from February 1993 to May 1997 where he served as the assistant building surveyor, Shun Tak Properties Limited as project assistant from December 1997 to January 2000 and AEON Stores (Hong Kong) Co., Limited from April 2002 to August 2012, with last position being held as project manager.

Mr. Lai was not a director in any listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHAN Yuk Sang (陳玉生)**, aged 72, was appointed as an independent non-executive Director on 12 January 2018. He has more than 30 years of experience in the banking and finance industry. Mr. Chan has been an executive director of Asia Resources Holdings Limited (stock code: 899) since April 2017 and an independent non-executive director of Four Seas Mercantile Holdings Limited (stock code: 374) since July 2000, the shares of which are listed on the Main Board of the Stock Exchange. He has also been a senior general manager of a local bank and an executive director of a joint Chinese foreign bank in Shenzhen, the PRC.

Over the years, Mr. Chan has also served the following positions in various listed issuers in Hong Kong set out below:

Company	Position	Tenure
The Hong Kong Building and Loan Agency Limited (stock code: 145)	Director	1993 to 1995
Century Legend (Holdings) Limited (stock code: 79)	Chairman	September 1999 to July 2002
GOME Retail Holdings Limited (stock code: 493)	Independent non-executive director	May 2004 to June 2015
Imagi International Holdings Limited (stock code: 585)	Independent non-executive director	May 2010 to January 2016
China Internet Investment Finance Holdings Limited (stock code: 810)	Independent non-executive director	April 2011 to June 2012

Save as disclosed above, Mr. Chan was not a director in any other listed companies for the last three preceding years.

**Mr. WAN Chi Wai Anthony (尹智偉)**, aged 42, was appointed as an independent non-executive Director on 12 January 2018. He possesses professional experience in both the accounting and legal fields. He is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong. Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as senior associate. Mr. Wan has been an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006. He was admitted as a solicitor in Hong Kong in September 2006.

Mr. Wan graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration in Accounting in November 1997. He subsequently obtained a degree of Bachelor of Laws in August 2003 from the University of London, the United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004.

Mr. Wan has been an independent non-executive director of Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.) (stock code: 2289), the shares of which are listed on the Main Board of the Stock Exchange, since December 2015, and an independent non-executive director of HM International Holdings Limited (stock code: 8416), the shares of which are listed on GEM of the Stock Exchange, since January 2017.

Save as disclosed above, Mr. Wan was not a director in any other listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LAU Kwok Fai Patrick (劉國輝)**, aged 45, was appointed as an independent non-executive Director on 12 January 2018. He has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which were listed on GEM of the Stock Exchange from May 2012 to December 2013 (stock code: 8240) and were transferred to the Main Board of the Stock Exchange in December 2013 (stock code: 1522).

Mr. Lau obtained an honours diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a degree of Master of Science in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also completed the HKICPA Diploma in Insolvency organised by the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Lau has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Mr. Lau has been an independent non-executive director of Kakiko Group Limited (stock code: 2225), the shares of which are listed on the Main Board of the Stock Exchange, since October 2017.

Save as disclosed above, Mr. Lau was not a director in any other listed companies for the last three preceding years.

**Mr. CHAN Kai Nang (陳啟能)**, aged 72, appointed as an independent non-executive Director of the Company on 16 September 2015 and resigned on 12 January 2018, received a Diploma in Management Studies from The University of Hong Kong in July 1976 and a degree of Bachelor of Laws from the University of London (a distance learning course) in August 1990. He has been an associate of The Institute of Cost and Management Accountants (now known as the Chartered Institute of Management Accountants) in the UK since June 1972 and The Hong Kong Institute of Certified Public Accountants since February 1973 and a fellow of The Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) in the UK since December 1982. He was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) (stock code: 27) from 14 January 2003 to 1 May 2008. He has been an independent non-executive director of ZZ Capital International Limited (formerly known as Asian Capital Holdings Limited (stock code: 8295)) from 4 June 2010 to 18 June 2016, Prosperity International Holdings (H.K.) Limited (stock code: 803) since 17 August 2010, Soundwill Holdings Limited (stock code: 878) since 11 March 2009 and Steed Oriental (Holdings) Company Limited (stock code: 8277) from 16 September 2013 to 12 August 2016. He also appointed as an independent non-executive directors of PanAsialum Holdings Company Limited (stock code: 2078) from 24 February 2017 to 24 January 2018.

Save as disclosed above, Mr. Chan was not a director in any other listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LAU Yiu Kit (劉耀傑)**, aged 58, was appointed as an independent non-executive Director of the Company on 16 September 2015 and resigned on 12 January 2018. He is a sole proprietor and founder of Albert Y.K. Lau & Co., a firm of Certified Public Accountants. He has been a member of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) since January 1989, an associate of the Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) since October 1987, the Institute of Chartered Accountants in England and Wales since October 2007 and the Taxation Institute of Hong Kong since June 1991. He has been an independent non-executive director of Primeview Holdings Limited (formerly known as Artini China Company Limited) (stock code: 0789) since 1 December 2010. He was also an independent non-executive director of Titan Petrochemicals Group Limited (stock code: 1192) from 23 March 2015 to 30 September 2015.

Save as disclosed above, Mr. Lau was not a director in any other listed companies for the last three preceding years.

**Mr. Chan Chun Hong (陳駿康)**, aged 44, was appointed as an independent non-executive Director on 16 September 2015 and resigned on 12 January 2018. He graduated from The Hong Kong University of Science and Technology with a bachelor's degree in Business Administration in Finance in November 1996. He has been a fellow of the Association of Chartered Certified Accountants since October 2006, a CFA Charterholder since September 2004 and a fellow member of the Hong Kong Institute of Directors since March 2015. Currently, he serves as the chairman of Graval Consulting Limited and is responsible for provide the valuation and business consultancy services. He has been an independent non-executive director of Astrum Financial Holdings Limited (stock code: 8333) since 23 June 2016.

Save as disclosed above, Mr. Chan was not a director in any listed companies for the last three preceding years.

**Dr. Wu Chun Wah (鄺鎮華)**, aged 53, holds a doctor degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. He also holds a master degree in business administration from Northeast Louisiana University, a diploma of China trade and investment from Beijing University, a diploma of China laws from Guangdong Economic Laws Research Centre and a postgraduate diploma in management from Asia International Open University. He is a fellow member of the Hong Kong Institute of Directors, member of the Hong Kong Securities and Investment Institute, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Dr. Wu is the Chief Executive Officer of China Chengtong Asset Management (Hong Kong) Co., Ltd. which is wholly-owned by China Chengtong Holdings Group Ltd., a central enterprise supervised by State-owned Assets Supervision and Administration Commission.

Dr. Wu has extensive experience in financial investment and corporate finance. He was the executive director and chief executive officer of Creative Energy Solutions Holdings Limited (now known as Kirin Group Holdings Limited (stock code: 8109)), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, from July 2010 to December 2014. He was also the executive director of Incutech Investments Limited (now known as DT Capital Limited (stock code: 356)), a company whose shares are listed on the main board of the Stock Exchange, from November 2007 to July 2014.

Saved as disclosed above, Dr. Wu was not a director in any listed companies for the last three preceding years.

Each of the Directors does not have any relationship with any other Directors and any member of the Group's senior management.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **Disclosure required under Rule 13.51 of the Listing Rules**

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 13.51 of the Listing Rules as at the date of this annual report.

### **COMPANY SECRETARY**

**Mr. YU Tsz Ngo (余子敖)**, aged 32, was appointed as a company secretary on 15 May 2015. He is responsible for overseeing the company secretarial matters and the accounting function of the Group. As he is the external service provider to the Group, his primary corporate contact person at the Company is Mr. Ng, an executive Director and the compliance officer of the Company. He has over eight years of experience in the accounting and auditing industry. He worked at Deloitte Touche Tohmatsu in Hong Kong from January 2007 to February 2012 and his last position was Manager in the audit department. He obtained a degree of Bachelor of Commerce (Accounting and Finance) from Monash University of Australia in December 2005 and a master degree of Applied Finance from Monash University of Australia in December 2006. He has been a member of the Certified Public Accountants Australia since January 2006, the Hong Kong Institute of Certified Public Accountants since July 2011 and the Chartered Institute of Management Accountants since May 2014. He has not held any directorship in other listed companies in the past three years.

## REPORT OF DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2017.

### CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 19 March 2015.

In preparing for the Listing, the Company became the holding company of the companies comprising the Group underwent the corporate reorganisation (the “**Reorganisation**”) upon the completion of the Reorganisation on 31 March 2015.

Details of the Reorganisation are set out in note 2 to section A of the Accountants’ Report of the Company included in Appendix I to the Company’s prospectus dated 23 September 2015. The shares of the Company were listed on GEM of the Stock Exchange with effect from 30 September 2015 and have been transferred to the Main Board of the Stock Exchange since 10 July 2017.

### CHANGE OF COMPANY NAME

Pursuant to the special resolution duly passed by the Shareholders at the extraordinary general meeting held on 5 February 2018 and the subsequent certification of the Registrar of Companies in the Cayman Islands and the Registrar of Companies in Hong Kong, the Company’s registered English name has been changed 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”.

### CHANGE OF STOCK SHORT NAME

With the approval of the Stock Exchange, the stock short name for trading in shares of the Company on 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 9:00 a.m. on 22 March 2018.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 30 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

### BUSINESS REVIEW

Detailed business review is set out in the section of “Management Discussion and Analysis” (“**MD&A**”) in this annual report from pages 5 to 11. Future development of the company’s business is set out in the section of “Chairman’s Statement” and MD&A in this annual report from page 4 and page 5 respectively. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

# REPORT OF DIRECTORS

## Key Risks and Uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in its operations and financial position as efficiently and effectively as possible.

Operational risk may arise when the Group has loss of (i) authorised signatory and technical director for the Group's registrations maintained with the Buildings Department; and (ii) Authorized Persons employed by the Group which may adversely affect the Group's operations. In the event that the Group fails to identify suitable replacements for authorised signatories, technical directors and Authorized Persons in a timely manner and at reasonable cost, the Group's competitiveness may be impaired and performance could be adversely affected. To ensure that the Group is able to timely obtain and maintain all necessary registrations or licenses for its operations in Hong Kong, Mr. Ip Kong Ling, the director of Licencing Consultancy Department of the Group, and Mr. Chung Yuk Ming, Christopher, the project director of the Group are responsible for keeping track of the validity period of the registrations or licenses maintained and/or held by the Group and qualifications of the Group's Authorized Person/authorised signatory/technical director and arranging renewal when necessary in a timely manner.

An analysis of the Group's financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 26 to the consolidated financial statements.

## Environment Protection

The Group committed to contributing to the sustainability of the environment from its business activities. The Group established measures and created certain environmental framework to minimise and monitor the environmental impacts attributable to its operational. The Group implemented the green office practices such as redeployed office furniture as far as practicable, encouraged use of recycled paper for printing and copying and reduced energy consumption by switching off idling lightings and electrical appliances. Moreover, the Group also established air pollution, noise and waste disposal control such as watering when necessary for any dusty materials before loading and unloading on site; works that create loud noise are to be carried out during day-time or non noise sensitive hours only; labelled bins to be provided to allow segregation of recyclable materials from other waste for transportation to landfills or public fill whenever possible.

## Workplace Quality

The Group believes that employees are the valuable assets and regards human resources as its corporate wealth. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct, employees' rights and benefits.

# REPORT OF DIRECTORS

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report. The Directors do not recommend the payment of a final dividend.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Thursday, 24 May 2018. 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 Friday, 18 May 2018 to Thursday, 24 May 2018, 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 Thursday, 17 May 2018.

## FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 92 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements of this annual report.

## SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

## 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 contribution of the Directors and other employees who have made valuable contribution 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 31 December 2017.

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.

## REPORT OF DIRECTORS

### (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 by way of 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 123,200,000 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 its adoption.

# REPORT OF DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2017.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution to the shareholders amounted to approximately HK\$20.1 million, comprising retained losses of approximately HK\$1.3 million and the share premium amounting to approximately HK\$21.4 million, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

## MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2017, the percentage of revenue attributable to the Group's major customers is set out below:

### Revenue

— The largest customer	15.1%
— The total of the five largest customers	50.6%

For the year ended 31 December 2017, the percentage of cost of services attributable to the Group's major suppliers is set out below:

### Cost of services

— The largest supplier	5.5%
— The total of the five largest suppliers	19.9%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

## DIRECTORS

The Directors during the year and up to the date of this report were as follows:

### Executive Directors:

- Mr. Gao Yunhong (*Chairman*) (appointed on 5 January 2018)
- Ms. Zhu Wenhui (appointed on 5 January 2018)
- Mr. Qi Gang (appointed on 5 January 2018)
- Mr. Ng Kin Siu (*Chief executive officer*)
- Mr. Chung Yuk Ming Christopher (resigned on 5 January 2018)
- Mr. Lai Pak Wei (resigned on 3 November 2017)
- Mr. Ip Kong Ling (appointed on 3 November 2017 and resigned on 5 January 2018)

### Independent non-executive Directors:

- Mr. Chan Yuk Sang (appointed on 12 January 2018)
- Mr. Wan Chi Wai Anthony (appointed on 12 January 2018)
- Mr. Lau Kwok Fai Patrick (appointed on 12 January 2018)
- Mr. Chan Chun Hong (resigned on 12 January 2018)
- Mr. Chan Kai Nang (resigned on 12 January 2018)
- Mr. Lau Yiu Kit (resigned on 12 January 2018)
- Dr. Wu Chun Wah (appointed on 3 November 2017 and resigned on 12 January 2018)

## **REPORT OF DIRECTORS**

Pursuant to Article 83 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

### **BIOGRAPHICAL DETAILS OF DIRECTORS**

Brief biographical details of the Directors are set out on pages from 31 to 37 of this annual report.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the month of Listing or the date of appointment and will continue thereafter until terminated in accordance with the terms of the agreement. Independent non-executive Directors are appointed for a term of three year initially and will continue thereafter unless terminated by either party giving at least three month's notice in writing.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE**

No transactions, arrangements and contracts of significance, to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements in this annual report.

### **EMOLUMENT POLICY**

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

### **COMPETING AND CONFLICT OF INTERESTS**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete 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 year ended 31 December 2017.

# REPORT OF DIRECTORS

## DISCLOSURE OF INTERESTS

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

As at 31 December 2017, interests or short positions of the Directors, chief executives 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 Company's Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Gao Yunhong (Note 1)	Interest in controlled corporation	862,400,000	70%
Mr. Ng Kin Siu (Note 2)	Interest in controlled corporation	61,600,000	5%

Notes:

- Mr. Gao 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 appointed as an executive Director on 5 January 2018 and is the chairman of the Board.
- 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.

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

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

Save as disclosed above, as at 31 December 2017, 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.

## REPORT OF DIRECTORS

### B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2017, 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 Limited	Beneficial owner	862,400,000	Long	70%
Ms. Wong Chai Lin (Note 1)	Interest of spouse	61,600,000	Long	5%
Masterveyor	Beneficial owner	61,600,000	Long	5%

Note:

1. Ms. Wong Chai Lin is the spouse of Mr. Ng Kin Siu, an executive Director and the beneficial owner of Masterveyor and is deemed, or taken to be, interested in all the Shares in which Mr. Ng Kin Siu is interested for the purposes of the SFO.

Save as disclosed above, as at 31 December 2017 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.

### INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 31 December 2017, save for the compliance adviser agreement dated 22 September 2015 entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2017, the Group has not entered into any connected transaction that are not exempt under Rule 20.71 of the GEM Listing Rules or Rule 14A.33 of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the Listing Rules.

### AUDITOR

Deloitte Touche Tohmatsu was appointed by the Directors as the auditor of the Company. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu.

# REPORT OF DIRECTORS

## TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the share option scheme, no equity-linked agreements were entered into during the year ended 31 December 2017.

## PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## EVENTS AFTER THE REPORTING PERIOD

On 5 January 2018, Mr. Ng Kin Siu resigned as the chairman of the Board and Mr. Chung Yuk Ming Christopher and Mr. Ip Kong Ling resigned as executive Directors. Mr. Gao Yunhong was appointed as the chairman of the Board and an executive Director, and Ms. Zhu Wenhui and Mr. Qi Gang were appointed as executive Directors.

On 12 January 2018, Mr. Chan Chun Hong, Mr. Chan Kai Nang, Mr. Lau Yiu Kit and Dr. Wu Chun Wah resigned as independent non-executive Directors, and Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick were appointed as independent non-executive Directors. For details, please refer to the announcements of the Company dated 5 January 2018 jointly issued by Gentle Soar and the Company and the announcement of the Company dated 12 January 2018.

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 at the 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 in Hong Kong on 14 March 2018.

The stock short name for trading in the shares of the Company on 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.

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

By Order of the Board

**Gao Yunhong**

*Chairman*

Hong Kong, 27 March 2018

# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

## TO THE SHAREHOLDERS OF DAFY HOLDINGS LIMITED

達飛控股有限公司

(FORMERLY KNOWN AS FDB HOLDINGS LIMITED)

(前稱豐展控股有限公司)

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

## OPINION

We have audited the consolidated financial statements of Dafy Holdings Limited (formerly known as FDB Holdings Limited) (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 52 to 91, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<b>Revenue and profit recognition of contracting service and amounts due from customers for contract works</b>	
<p>We identified the revenue and profit recognition of contracting service and amounts due from customers for contract works as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service.</p>	<p>Our procedures in relation to the revenue and profit recognition of contracting service and amounts due from customers for contract works included:</p>
<p>The Group provided contracting service for alteration and addition works, maintenance, specialist works and new development. As disclosed in note 15 to the consolidated financial statements, at 31 December 2017, the Group recorded amounts due from customers for contract works of HK\$186,197,000, being the net of contract costs incurred plus recognised profit less recognised losses of HK\$1,259,045,000 and progress billings of HK\$1,072,848,000. The Group has recognised revenue and profit from contracting service of HK\$686,196,000 and HK\$63,298,000, respectively for the year ended 31 December 2017 as described in note 5 to the consolidated financial statements.</p>	<ul style="list-style-type: none"><li>• Evaluating the estimation of revenue and profit recognised on contracting service contracts, on a sample basis, by:</li></ul>
<p>As set out in note 4 to the consolidated financial statements, the Group recognises contract revenue and profit of contracting service and amounts due from customers for contract works according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service which is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. The management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales.</p>	<ul style="list-style-type: none"><li>— agreeing the contract sum and budgeted costs to respective signed contracts and approved budgets;</li><li>— understanding from the management and project managers about how the approved budgets were prepared and the respective stage of completion were determined;</li><li>— challenging the reasonableness of key judgements inherent in the approved budgets;</li><li>— comparing the existence and valuation of variations to correspondence with customers;</li><li>— challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts; and</li><li>— obtaining the certificates issued by the external surveyors to evaluate the reasonableness of percentage of completion as at year end.</li></ul> <ul style="list-style-type: none"><li>• Assessing the reliability of the approved budgets by comparing the actual outcome against the management's estimation of completed contracts on a sample basis; and</li><li>• Checking the accuracy of the amounts due from customers for contract works by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.</li></ul>

# INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Recoverability of trade and retention receivables</i></b></p> <p>We identified the recoverability of trade and retention receivables as a key audit matter due to its significance to the consolidated financial statements and there is a significant portion of trade receivables that are past due as at 31 December 2017 for which the Group has not provided for impairment loss.</p> <p>At 31 December 2017, the carrying amount of the Group's trade and retention receivables net of allowance for doubtful debts was HK\$136,249,000, out of which HK\$57,407,000 of trade receivables were past due for which the Group has not provided for impairment loss as set out in note 16 to the consolidated financial statements.</p> <p>As disclosed in note 4 to the consolidated financial statements, in determining the recoverability of trade and retention receivables, the management considers any changes in the creditability of its customers and assesses the recoverable amount of each individual receivable at the end of the reporting period.</p>	<p>Our procedures in relation to the recoverability of trade and retention receivables included:</p> <ul style="list-style-type: none"><li>• Testing the accuracy of the trade and retention receivables aging analysis, on a sample basis;</li><li>• Understanding the management's basis and assessment in relation to the recoverability of trade and retention receivables; and</li><li>• Evaluating the management's assessment on the recoverability of amounts due from individual debtor with significant balances past due but not impaired by:<ul style="list-style-type: none"><li>— examining the subsequent settlements from these individual debtors on a sample basis; or</li><li>— for those individual debtors without any subsequent settlements, analysing the Group's business relationship with them and their payment history.</li></ul></li></ul>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 March 2018

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	5	<b>744,755</b>	395,781
Cost of services		<b>(671,307)</b>	(329,300)
Gross profit		<b>73,448</b>	66,481
Other income	6	<b>733</b>	38
Other losses	7a	<b>(168)</b>	(326)
Other expenses	7b	<b>(2,417)</b>	(144)
Administrative expenses		<b>(32,748)</b>	(27,769)
Finance costs	8	<b>(696)</b>	(613)
Profit before tax	9	<b>38,152</b>	37,667
Income tax expense	12	<b>(6,969)</b>	(6,493)
Profit and total comprehensive income for the year		<b>31,183</b>	31,174
Earnings per share, basic (HK cents)	13	<b>2.5</b>	2.5

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current asset</b>			
Property, plant and equipment	14	3,130	3,378
<b>Current assets</b>			
Amounts due from customers for contract works	15	186,197	84,897
Trade and other receivables	16	141,885	72,244
Tax recoverable		1,617	99
Pledged bank deposits	17	35,999	18,424
Bank balances and cash	17	19,191	48,987
		<b>384,889</b>	224,651
<b>Current liabilities</b>			
Trade and other payables	18	214,882	120,722
Advances from customers	18	6,581	10,509
Tax liabilities		2,236	1,951
Bank borrowings	19	52,623	4,424
		<b>276,322</b>	137,606
<b>Net current assets</b>		<b>108,567</b>	87,045
<b>Total assets less current liabilities</b>		<b>111,697</b>	90,423
<b>Non-current liability</b>			
Deferred tax liabilities	20	235	288
<b>Net assets</b>		<b>111,462</b>	90,135
<b>Capital and reserves</b>			
Share capital	21	12,320	12,320
Reserves		99,142	77,815
<b>Total equity</b>		<b>111,462</b>	90,135

The consolidated financial statements on pages 52 to 91 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

**MR. GAO YUNHONG,**  
DIRECTOR

**MR. NG KIN SIU,**  
DIRECTOR

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2016	12,320	21,440	1,000	32,209	66,969
Dividends recognised as distribution (Note 11)	–	–	–	(8,008)	(8,008)
Profit and total comprehensive income for the year	–	–	–	31,174	31,174
At 31 December 2016	12,320	21,440	1,000	55,375	90,135
Dividends recognised as distribution (Note 11)	–	–	–	(9,856)	(9,856)
Profit and total comprehensive income for the year	–	–	–	31,183	31,183
At 31 December 2017	12,320	21,440	1,000	76,702	111,462

Note: As part of the group reorganisation, there are series of restructuring within Dafy Holdings Limited (formerly known as FDB Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") mainly involved interspersing investment holding entities between the operating subsidiaries and Mr. Ng Kin Siu. The difference between the Company's share capital and the combined share capital of Fruit Design & Build Limited ("Fruit Design"), Harvest Building Consultancy Limited ("Harvest Building"), Win Lee Building Engineering Limited ("Win Lee Building"), Marvo Architecture Limited ("Marvo Architecture"), FDB Innovations Limited ("FDB Innovations") (formerly known as Solomon Consulting & Contracting Limited), FDB Facade Limited ("FDB Facade") (formerly known as Sky Global Construction Limited) and FDB Development Limited ("FDB Development") (formerly known as Win Lee (Project Team B) Construction Limited) was credited to other reserve.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	38,152	37,667
Adjustments for:		
Depreciation of property, plant and equipment	1,125	1,005
Finance costs	696	613
Impairment losses recognised on trade receivables	111	322
Interest income	(34)	(26)
Loss on disposal of property, plant and equipment	57	–
Operating cash flows before movements in working capital	40,107	39,581
Increase in amounts due from customers for contract works	(101,300)	(35,842)
Increase in trade and other receivables	(69,752)	(12,243)
Increase in trade and other payables and advance from customers	90,232	52,361
Cash (used in) generated from operations	(40,713)	43,857
Income tax paid	(8,354)	(8,039)
Income tax refunded	99	–
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(48,968)</b>	35,818
<b>INVESTING ACTIVITIES</b>		
Placement of pledged bank deposits	(17,575)	(14,924)
Purchase of property, plant and equipment	(966)	(1,793)
Interest income	34	26
Proceeds from disposal of property, plant and equipment	32	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(18,475)</b>	(16,691)
<b>FINANCING ACTIVITIES</b>		
Bank borrowings raised	70,923	44,727
Repayment of bank borrowings	(22,724)	(40,303)
Dividend paid	(9,856)	(8,008)
Interest paid	(696)	(613)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>37,647</b>	(4,197)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,796)</b>	14,930
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>48,987</b>	34,057
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b> represented by bank balances and cash	<b>19,191</b>	48,987

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 1. GENERAL

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 the GEM of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) since 30 September 2015 and were transferred to the Main Board of the Stock Exchange since 10 July 2017.

Prior to 20 November 2017, the Company’s controlling shareholders were Masterveyor Holdings Limited (“**Masterveyor**”), a company incorporated in the British Virgin Islands (“**BVI**”), and Mr. Ng Kin Siu, the sole beneficial owner of Masterveyor and an executive Director. On 17 November 2017, Masterveyor entered into a sales and purchase agreement with Gentle Soar Limited (“**Gentle Soar**”), a company incorporated in the BVI, to sell 862,400,000 shares, representing 70% of the entire issued share capital of the Company, to Gentle Soar. The transaction was completed on 20 November 2017. Since 20 November 2017, Gentle Soar and its ultimate beneficial owner, Mr. Gao Yunhong (“**Mr. Gao**”), who was subsequently appointed as the chairman of the Board and executive Director on 5 January 2018, have become the Company’s controlling shareholders.

On 22 February 2018, the Company’s registered English name was changed 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”. The stock short name for trading in the shares of the Company on 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 address of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in provision of building consultancy services, contracting business and project management.

The consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### **Amendments to HKFRSs that are mandatorily effective for the current year**

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 27. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 27, the application of these amendments has had no impact on the Group’s consolidated financial statements.

### New and revised HKFRSs issued but not yet effective

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“**FVTOCI**”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

#### *Classification and measurement*

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

#### **Impairment**

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings at 1 January 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 16 Leases (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK\$3,563,000 as disclosed in Note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$1,492,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Except as described above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group’s consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance (“**CO**”).

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group's accounting policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Consultancy fee income and management fee income are recognised when the relevant services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised on the percentage of completion method, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (continued)

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or retention receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

### **Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Revenue and profit recognition of contracting service and amounts due from customers for contract works**

The Group provides contracting service for alteration and addition works, maintenance, specialist works and new development.

The Group recognises contract revenue and profit of contracting service and amounts due from customers for contract works according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service which is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Estimated construction revenue is determined with reference to the terms of the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management.

The management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales.

Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised and the amounts due from customers for contract works.

As at 31 December 2017, the carrying amount of amounts due from customers for contract works was approximately HK\$186,197,000 (2016: HK\$84,897,000).

### **Estimated impairment of trade and retention receivables**

In determining the recoverability of trade and retention receivables, the management considers any changes in the creditability of its customers and assesses the recoverable amount of each individual receivable at the end of the reporting period based on objective evidence.

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise.

As at 31 December 2017, the carrying amount of trade and retention receivables of the Group was approximately HK\$136,249,000 (net of allowance for doubtful debts of HK\$291,000) (2016: carrying amount of HK\$64,031,000, net of allowance for doubtful debts of HK\$613,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 5. REVENUE AND SEGMENT INFORMATION

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 are as follows:

1. Contracting business and project management (“**Contracting service**”).
2. Provision of building consultancy services (“**Consultancy service**”).

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

### 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

\* Impairment losses on trade receivables of HK\$111,000, which were included in other losses in the consolidated statement of profit or loss and other comprehensive income, were allocated to the consultancy service segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2016

	Contracting service HK\$'000	Consultancy service HK\$'000	Total HK\$'000
Segment revenue	333,372	62,409	395,781
Segment profit	43,077*	23,082	66,159
Unallocated income			38
Unallocated expenses			(28,530)
Profit before tax			37,667

\* Impairment losses on trade receivables of HK\$322,000, which were included in other losses in the consolidated statement of profit or loss and other comprehensive income, were allocated to the contracting service segment.

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, certain other losses, 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 (principal place of domicile of major operating subsidiaries). 100% (2016: 98%) of the Group's revenue from external customers is attributed to Hong Kong. All of the Group's non-current assets are located in Hong Kong for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### 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:

	2017 HK\$'000	2016 HK\$'000
Customer 1	112,289	N/A <sup>1</sup>
Customer 2	96,662	N/A <sup>1</sup>
Customer 3	77,992	N/A <sup>1</sup>
Customer 4	N/A <sup>1</sup>	81,551
Customer 5	N/A <sup>1</sup>	48,351
Customer 6	N/A <sup>1</sup>	45,650

<sup>1</sup> 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.

## 6. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Bank interest income	34	26
Others	699	12
	<b>733</b>	38

## 7a. OTHER LOSSES

	2017 HK\$'000	2016 HK\$'000
Impairment losses recognised on trade receivables	111	322
Net foreign exchange losses	–	4
Loss on disposal of property, plant and equipment	57	–
	<b>168</b>	326

## 7b. OTHER EXPENSES

Other expenses included legal and professional fee of approximately HK\$1,150,000 (2016: nil), which was incurred in the transfer of the Company's shares from listing on GEM to Main Board in current year; and charitable donations of approximately HK\$1,262,000 (2016: HK\$144,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 8. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on:		
Bank borrowings	648	356
Bank overdrafts	8	23
Advances from customers (Note 18(b))	40	234
	<b>696</b>	613

## 9. PROFIT BEFORE TAX

	2017 HK\$'000	2016 HK\$'000
Profit before tax has been arrived at after charging:		
Directors' emoluments (Note 10)	7,036	6,764
Salaries and other allowances	83,866	62,302
Retirement benefit scheme contributions, excluding those of directors	2,938	2,095
Total staff costs	<b>93,840</b>	71,161
Less: amounts included in cost of services	<b>(77,423)</b>	(55,981)
	<b>16,417</b>	15,180
Auditors' remuneration	1,150	980
Depreciation of property, plant and equipment	1,125	1,005
Minimum lease payments paid under operating leases in respect of		
— Office premises	3,791	3,383
— Director's quarter (included in directors' emoluments)	731	720

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### Directors

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

#### For the year ended 31 December 2017

	Directors' fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary bonus HK\$'000 (Note a)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Ng Kin Siu (chairman) (Note b)	–	3,410	150	18	3,578
Lai Pak Wei (Note c)	–	1,096	165	16	1,277
Chung Yuk Ming, Christopher	–	1,240	210	18	1,468
Ip Kong Ling (Note d)	–	203	33	3	239
<b>Independent non-executive directors:</b>					
Chan Chun Hong	150	–	–	–	150
Chan Kai Nang	150	–	–	–	150
Lau Yiu Kit	150	–	–	–	150
Wu Chun Wah (Note e)	24	–	–	–	24
	<b>474</b>	<b>5,949</b>	<b>558</b>	<b>55</b>	<b>7,036</b>

#### For the year ended 31 December 2016

	Directors' fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary bonus HK\$'000 (Note a)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Ng Kin Siu (chairman) (Note b)	–	3,300	825	18	4,143
Lai Pak Wei	–	1,240	305	18	1,563
Chung Yuk Ming, Christopher	–	500	100	8	608
<b>Independent non-executive directors:</b>					
Chan Chun Hong	150	–	–	–	150
Chan Kai Nang	150	–	–	–	150
Lau Yiu Kit	150	–	–	–	150
	<b>450</b>	<b>5,040</b>	<b>1,230</b>	<b>44</b>	<b>6,764</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### Directors (Continued)

Notes:

- (a) The discretionary bonus is determined with consideration of the performance for the years of the group entities.
- (b) Mr. Ng Kin Siu is the chief executive of the Company and his emoluments disclosed above included those services rendered by him as the chief executive.
- (c) Mr. Lai Pak Wei has resigned as the executive director of the Company on 3 November 2017.
- (d) Mr. Ip Kong Ling is the project director of the Group and he was appointed as the executive director of the Company on 3 November 2017. His emoluments disclosed above only included emoluments as executive director for the period from 3 November 2017 to 31 December 2017.
- (e) Dr. Wu Chun Wah was appointed as the independent non-executive director of the Company on 3 November 2017.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the current and prior years.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the current and prior years.

### Employees

The five highest paid employees of the Group during the year included four directors (2016: three directors), details of whose remuneration are set out above. For the year ended 31 December 2016, Mr. Chung Yuk Ming, Christopher, one of the directors with highest emoluments in the Group appointed as director with effective from 9 August 2016 and his remuneration as director is included above. For the year ended 31 December 2017, Mr. Ip Kong Ling, one of the directors with highest emoluments in the Group appointed as director with effective from 3 November 2017 and his remuneration as director is included above.

For the year ended 31 December 2016, the remuneration of the remaining two highest paid employees who are neither a director nor chief executive of the Company and the remuneration of Mr. Chung Yuk Ming, Christopher for the period from 1 January 2016 and 8 August 2016 as the project director of the Group are as below. For the year ended 31 December 2017, the remuneration of the remaining one highest paid employee who is neither a director nor chief executive of the Company and the remuneration of Mr. Ip Kong Ling for the period from 1 January 2017 to 2 November 2017 as the project director of the Group are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other allowances	2,117	3,094
Discretionary bonus	302	655
Retirement benefit scheme contributions	33	47
	<b>2,452</b>	3,796

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### Employees (Continued)

For the year ended 31 December 2017, the remuneration of the remaining one individual and Mr. Ip Kong Ling (including those emoluments he received/receivable during his directorship) (2016: two individuals and Mr. Chung Yuk Ming, Christopher (including those emoluments he received/receivable during his directorship), were within the following bands:

	2017 No. of employees	2016 No. of employees
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	Nil	2

## 11. DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Dividends recognised as distribution during the year:		
2016 Final — HK0.80 cents per share (2015: HK0.65 cents per share)	9,856	8,008

No dividend was proposed for ordinary shareholders of the Company since the end of the reporting period up to 27 March 2018 (2016: HK0.80 cents per ordinary share, in an aggregate amount HK\$9,856,000).

## 12. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Income tax		
Current year	7,082	6,463
Overprovision in prior years	(60)	(70)
Deferred tax	7,022	6,393
	(53)	100
Income tax expense	6,969	6,493

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 12. INCOME TAX EXPENSE (CONTINUED)

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:

	2017 HK\$'000	2016 HK\$'000
Profit before tax	<b>38,152</b>	37,667
Tax charge at Hong Kong Profits Tax Rate of 16.5%	<b>6,295</b>	6,215
Tax effect of expenses not deductible for tax purpose	<b>792</b>	254
Overprovision in respect of prior years	<b>(60)</b>	(70)
Others	<b>(58)</b>	94
Tax expense for the year	<b>6,969</b>	6,493

### 13. EARNINGS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<b>31,183</b>	31,174

	2017 '000	2016 '000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<b>1,232,000</b>	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>COST</b>					
As at 1 January 2016	941	359	596	2,039	3,935
Additions	228	30	757	778	1,793
As at 31 December 2016	1,169	389	1,353	2,817	5,728
Additions	285	69	–	612	966
Disposal/written-off	–	(31)	(60)	(347)	(438)
As at 31 December 2017	1,454	427	1,293	3,082	6,256
<b>DEPRECIATION</b>					
As at 1 January 2016	182	76	440	647	1,345
Provided for the year	222	74	209	500	1,005
As at 31 December 2016	404	150	649	1,147	2,350
Provided for the year	251	80	232	562	1,125
Eliminated on disposals/written off	–	(19)	(60)	(270)	(349)
As at 31 December 2017	655	211	821	1,439	3,126
<b>CARRYING VALUES</b>					
As at 31 December 2017	799	216	472	1,643	3,130
As at 31 December 2016	765	239	704	1,670	3,378

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture and fixtures	20%
Motor vehicles	30%
Office equipment	20%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 15. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2017 HK\$'000	2016 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	<b>1,259,045</b>	710,686
Less: progress billings	<b>(1,072,848)</b>	(625,789)
	<b>186,197</b>	84,897
Analysed for reporting purposes as:		
Amounts due from customers for contract works	<b>186,197</b>	84,897

Included in amounts due from customers for contract works are retention held by customers for contract works in relation to incomplete projects amounted to approximately HK\$31,876,000 (2016: approximately HK\$20,598,000) as at 31 December 2017, which were expected to be recovered or settled in more than twelve months from the end of the reporting period.

## 16. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	<b>109,773</b>	55,169
Retention receivables	<b>26,767</b>	9,475
Less: allowance for doubtful debts	<b>(291)</b>	(613)
	<b>136,249</b>	64,031
Other receivables, deposits and prepayments		
— Prepayment	<b>2,510</b>	5,420
— Sundry deposits	<b>2,183</b>	1,936
— Temporary payment	<b>751</b>	847
— Other receivables	<b>192</b>	10
	<b>5,636</b>	8,213
	<b>141,885</b>	72,244

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 doubtful debts presented based on certificate/invoice dates.

	2017 HK\$'000	2016 HK\$'000
Trade receivables:		
1-30 days	81,040	39,511
31-60 days	7,065	6,628
61-90 days	6,414	664
91-180 days	9,890	3,032
Over 180 days	5,364	5,012
	<b>109,773</b>	54,847

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$57,407,000 (2016: approximately HK\$33,592,000) 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.

	2017 HK\$'000	2016 HK\$'000
Overdue:		
1-30 days	32,838	24,502
31-60 days	4,665	1,196
Over 60 days	19,904	7,894
	<b>57,407</b>	33,592

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. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts:

	2017 HK\$'000	2016 HK\$'000
At beginning of year	613	291
Impairment losses recognised	111	322
Amounts written off as uncollectible	(433)	–
Balance at end of year	291	613

### 17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2017, deposits amounting to HK\$35,999,000 (2016: HK\$18,424,000) have been pledged to banks to secure banking facilities granted to the Group and guarantee line for issuing surety bonds (see Note 23). The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposit/bank balances carry interest at market rates which are as follows:

	2017	2016
Range of interest rates per annum:		
Pledged bank deposits	N/A to 0.180%	N/A to 0.119%
Bank balances	0.001% to 0.02%	0.001% to 0.02%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 18. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS

	2017 HK\$'000	2016 HK\$'000
Trade payables	46,327	24,430
Retention payables (Note a)	33,511	13,225
Accrued subcontracting charges and other operating expenses	126,969	75,155
Deposits from customers	8,075	7,912
	<b>214,882</b>	120,722
Advances from customers (Note b)	6,581	10,509
	<b>221,463</b>	131,231

Notes:

- (a) Retention payables amounted to approximately HK\$8,175,000 (2016: approximately HK\$6,412,000) as at 31 December 2017 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 are unsecured and will be set off progress billings. Included in the balance, HK\$3,000,000 (2016: HK\$3,000,000) carry interest at a rate of 5.25% (2016: 3.00%) and the remaining balance is 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:

	2017 HK\$'000	2016 HK\$'000
Trade payables:		
1-30 days	40,355	15,624
31-60 days	2,223	2,067
61-90 days	979	550
Over 90 days	2,770	6,189
	<b>46,327</b>	24,430

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 19. BANK BORROWINGS

The variable-rate bank borrowings are repayable as follows:

	2017 HK\$'000	2016 HK\$'000
Carrying amount of bank loans that are repayable on demand or within one year (shown under current liabilities)	52,623	4,424
Analysed as:		
Secured	52,623	2,000
Unsecured	–	2,424
	52,623	4,424

As at 31 December 2017 and 2016, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledged bank deposits (see Note 17).

As at 31 December 2017, the Group's variable-rate bank borrowings are all denominated in HK\$ (2016: HK\$) and carry interest at rates ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.8% to HIBOR plus 3% per annum (2016: ranging from HK\$ prime rate minus 3% to HK\$ prime rate plus 0.5% per annum).

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

	2017	2016
Variable-rate per annum:		
Bank borrowings	2.99%–4.19%	2.25%–5.50%

## 20. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation HK\$'000
At 1 January 2016	188
Charged to consolidated statement of profit or loss (Note 12)	100
At 31 December 2016	288
Credited to consolidated statement of profit or loss (Note 12)	(53)
At 31 December 2017	235

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 21. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 2017	1,232,000,000	12,320

## 22. RETIREMENT BENEFIT PLANS

The Group participates a Mandatory Provident Fund Scheme (“**MPF Scheme**”) for its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes monthly to the MPF Scheme at the lower of 5% of relevant payroll costs, or HK\$1,500 per month for each employee, which contribution is matched by employees.

## 23. SURETY BONDS AND CONTINGENT LIABILITY

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 (see Note 17). In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

As at 31 December 2017, the outstanding amount of surety bonds of the Group was approximately HK\$30,589,000 (2016: HK\$11,600,000).

## 24. 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:

	2017 HK\$'000	2016 HK\$'000
Within one year	2,988	4,020
In the second to fifth year inclusive	575	1,648
	3,563	5,668

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior years.

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in Note 19, net of cash and cash equivalents and equity, comprising paid in capital and reserves.

## 26. FINANCIAL INSTRUMENTS

### 26a. Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	194,565	134,235
<b>Financial liabilities</b>		
Amortised cost	132,461	42,079

### 26b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

##### Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and pledged bank deposits and HIBOR and HK\$ prime rate arising from bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The directors of the Company consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances and pledged bank deposits and the HIBOR and HK\$ prime rate on bank borrowings is minimal. Accordingly, no sensitivity analysis is prepared and presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26b. Financial risk management objectives and policies (Continued)

#### *Credit risk*

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties represents the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in Note 23.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2017 on trade and retention receivables from the Group's five major customers amounting to HK\$60,384,000 (2016: HK\$23,897,000) and accounted for 44% (2016: 37%) the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisations. The directors of the Company consider that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value HK\$'000
<b>At 31 December 2017</b>				
Trade and other payables	–	79,838	79,838	79,838
Variable-rate bank borrowings	3.73	52,623	52,623	52,623
Financial guarantee contract (Note)	–	30,589	30,589	–
		<b>163,050</b>	<b>163,050</b>	<b>132,461</b>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying value HK\$'000
<b>At 31 December 2016</b>				
Trade and other payables	–	37,655	37,655	37,655
Variable-rate bank borrowings	2.58	4,424	4,424	4,424
Financial guarantee contract (Note)	–	11,600	11,600	–
		<b>53,679</b>	<b>53,679</b>	<b>42,079</b>

Note: 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 (see Note 23). The amount included above for financial guarantee contract represented the amount of counter-indemnity the Group provided to the financial institutions that issue such surety bonds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

Liquidity table (Continued)

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2017 and 2016, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$52,674,000 and HK\$4,428,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted Average Effective Interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2017</b>					
Bank borrowings — variable rate	3.73	47,189	5,485	52,674	52,623
<b>At 31 December 2016</b>					
Bank borrowings — variable rate	2.58	3,816	612	4,428	4,424

### 26c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK\$'000	Bank borrowings HK\$'000 (Note 19)	Dividend payables HK\$'000	Total HK\$'000
At 1 January 2017	–	4,424	–	4,424
Financing cash flows	(696)	48,199	(9,856)	37,647
Dividends recognised as distribution (Note 11)	–	–	9,856	9,856
Interest expenses (Note 8)	696	–	–	696
At 31 December 2017	–	52,623	–	52,623

## 28. RELATED PARTY DISCLOSURES

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties:

### (a) Compensation of key management personnel

The directors are identified as key management members of the Company, and their compensation during the year were set out in Note 10.

## 29. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme (the "Scheme") adopted on 16 September 2015 for the primary purpose of providing incentives to directors, eligible employees, consultant or adviser of the Group, the directors, employees, consultant or adviser of the Group may, at the discretion of the directors, be granted options (the "Options") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion.

No options have been granted since its adoption.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place and date of incorporation/operation	Equity interest attributable to the Company		Issued and fully paid share capital	Principal activities
		At 31 December 2017	2016		
FDB & Associates Limited ("FDB & Associates")	BVI/Hong Kong 25 February 2015	100%	100%	Ordinary share USD1	Investment holding
Fruit Design	Hong Kong 7 December 2006	100%	100%	Ordinary shares HK\$1	Contracting business and provision of building consultancy services
Harvest Building	Hong Kong 11 July 2011	100%	100%	Ordinary shares HK\$1	Inactive*
Win Lee Building	Hong Kong 10 May 1999	100%	100%	Ordinary shares HK\$1,000,000	Contracting business and project management mainly for property refurbishment and renovation
Marvo Architecture	Hong Kong 27 November 2013	100%	100%	Ordinary shares HK\$1	Inactive
FDB Innovations	Hong Kong 16 April 2014	100%	100%	Ordinary shares HK\$1	Inactive
FDB Facade	Hong Kong 25 April 2014	100%	100%	Ordinary shares HK\$1	Inactive
FDB Development	Hong Kong 14 April 2014	100%	100%	Ordinary shares HK\$1	Inactive

\* Harvest Building was engaged in provision of building consultancy services in 2016. It became inactive in 2017.

Other than FDB & Associates which is wholly-owned and held directly by the Company, all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 31. EVENTS AFTER REPORTING PERIOD

On 5 January 2018, Mr. Ng Kin Siu has resigned as the chairman of the Company and Mr. Chung Yuk Ming, Christopher and Mr. Ip Kong Ling have resigned as executive directors of the Company. Mr. Gao Yunhong was appointed as the chairman and executive director of the Company, and Ms. Zhu Wenhui and Mr. Qi Gang were appointed as executive directors of the Company.

On 12 January 2018, Mr. Chan Chun Hong, Mr. Chan Kai Nang, Mr. Lau Yiu Kit and Dr. Wu Chun Wah have resigned as the independent non-executive directors of the Company, and Mr. Chan Yuk Sang, Mr. Wan Chi Wai, Anthony and Mr. Lau Kwok Fai, Patrick were appointed as the independent non-executive directors of the Company.

For details, please refer to the announcements of the Company dated 5 January 2018 and 12 January 2018.

On 5 January 2018, the Board of Directors 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 the 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 in Hong Kong on 14 March 2018.

The stock short name for trading in the shares of the Company on 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.

## 32. RECLASSIFICATION

Certain comparative figures have been reclassified in the consolidated financial statements, which have no effect on previous reported profit or equity, to conform with the current year's presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 33. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	–	–
Amount due from a subsidiary	31,950	–
	<b>31,950</b>	–
<b>Current assets</b>		
Other receivables and prepayments	281	233
Amounts due from subsidiaries	341	46,821
	<b>622</b>	47,054
<b>Current liability</b>		
Accrued charges	142	–
<b>Net current assets</b>	<b>480</b>	47,054
<b>Net assets</b>	<b>32,430</b>	47,054
<b>Capital and reserves</b>		
Share capital (see Note 21)	12,320	12,320
Reserves	20,110	34,734
<b>Total equity</b>	<b>32,430</b>	47,054

### Movement in the Company's reserve

	Share premium HK\$'000	Retained earnings (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2016	21,440	10,872	32,312
Dividends recognised as distribution (Note 11)	–	(8,008)	(8,008)
Profit and total comprehensive income for the year	–	10,430	10,430
At 31 December 2016	21,440	13,294	34,734
Dividends recognised as distribution (Note 11)	–	(9,856)	(9,856)
Loss and total comprehensive expenses for the year	–	(4,768)	(4,768)
At 31 December 2017	21,440	(1,330)	20,110

## FINANCIAL SUMMARY

For the five years ended 31 December 2013, 2014, 2015, 2016 and 2017

### RESULTS

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue	191,961	199,554	276,825	395,781	<b>744,755</b>
Profit before taxation	13,679	23,214	19,836	37,667	<b>38,152</b>
Income tax expense	(2,391)	(4,094)	(4,519)	(6,493)	<b>(6,969)</b>
Profit and total comprehensive income for the year	11,288	19,120	15,317	31,174	<b>31,183</b>

### ASSETS AND LIABILITIES

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Total assets	95,237	122,203	149,525	228,029	<b>388,019</b>
Total liabilities	(72,803)	(80,649)	(82,556)	(137,894)	<b>(276,557)</b>
Net assets	22,434	41,554	66,969	90,135	<b>111,462</b>