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

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

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**ANNUAL RESULTS**

The board (the “**Board**”) of Directors (the “**Directors**”) is pleased to announce that the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017 together with the comparative audited figures for the year ended 31 December 2016. The financial information has been approved by the Board.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	3	<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		<b>733</b>	38
Other losses		<b>(168)</b>	(326)
Other expenses		<b>(2,417)</b>	(144)
Administrative expenses		<b>(32,748)</b>	(27,769)
Finance costs		<b>(696)</b>	(613)
Profit before tax	4	<b>38,152</b>	37,667
Income tax expense	6	<b>(6,969)</b>	(6,493)
Profit and total comprehensive income for the year		<b>31,183</b>	31,174
Earnings per share, basic ( <i>HK cents</i> )	7	<b>2.5</b>	2.5

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current asset</b>			
Property, plant and equipment		<u>3,130</u>	<u>3,378</u>
<b>Current assets</b>			
Amounts due from customers for contract works	8	<b>186,197</b>	84,897
Trade and other receivables	9	<b>141,885</b>	72,244
Tax recoverable		<b>1,617</b>	99
Pledged bank deposits		<b>35,999</b>	18,424
Bank balances and cash		<u>19,191</u>	<u>48,987</u>
		<b>384,889</b>	224,651
<b>Current liabilities</b>			
Trade and other payables	10	<b>214,882</b>	120,722
Advances from customers	10	<b>6,581</b>	10,509
Tax liabilities		<b>2,236</b>	1,951
Bank borrowings		<u>52,623</u>	<u>4,424</u>
		<b>276,322</b>	137,606
<b>Net current assets</b>		<u>108,567</u>	<u>87,045</u>
<b>Total assets less current liabilities</b>		<u>111,697</u>	<u>90,423</u>
<b>Non-current liability</b>			
Deferred tax liabilities		<u>235</u>	<u>288</u>
<b>Net assets</b>		<u>111,462</u>	<u>90,135</u>
<b>Capital and reserves</b>			
Share capital		<b>12,320</b>	12,320
Reserves		<u>99,142</u>	<u>77,815</u>
<b>Total equity</b>		<u>111,462</u>	<u>90,135</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 1. GENERAL INFORMATION

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

### 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

### 3. 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**

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

\* 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.

**For the year ended 31 December 2016**

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

\* 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.

## 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 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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.

## 4. PROFIT BEFORE TAX

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Directors' emoluments	7,036	6,764
Salaries and other allowances	83,866	62,302
Retirement benefit scheme contributions, excluding those of directors	2,938	2,095
	<hr/>	<hr/>
Total staff costs	93,840	71,161
Less: amounts included in cost of services	(77,423)	(55,981)
	<hr/>	<hr/>
	16,417	15,180
	<hr/>	<hr/>
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
	<hr/>	<hr/>

## 5. DIVIDENDS

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

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).

## 6. INCOME TAX EXPENSE

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

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

## 7. EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<u>31,183</u>	<u>31,174</u>
	2017 '000	2016 '000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,232,000</u>	<u>1,232,000</u>

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

## 8. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

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

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.

## 9. TRADE AND OTHER RECEIVABLES

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

*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.

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.



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

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.

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

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.

Movement in the allowance for doubtful debts:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of year	<b>613</b>	291
Impairment losses recognised	<b>111</b>	322
Amounts written off as uncollectible	<b>(433)</b>	–
	<u><b>291</b></u>	<u>613</u>

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

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

*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 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>46,327</u>	<u>24,430</u>

## 11. 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:

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

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

## 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.

## **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. In this connection, the Group is in the process of establishing a wholly foreign-owned enterprise in the People’s Republic of China. Further announcement(s) in this regard will be made as and when appropriate.

## 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.

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.

#### *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 increased 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 end 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.

### **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.

## **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.

## Business objectives

Further strengthening the Group  
in house team of professional staff

## Actual progress

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.

## 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:

	<b>Planned amount utilised up to 31 December 2017</b>	<b>Actual utilised amount as at 31 December 2017</b>	<b>Unutilised amount out of the planned amount as at 31 December 2017</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
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	–
	<u>21.9</u>	<u>20.4</u>	<u>1.5</u>

## **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. 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.

## **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.

## **Dividend**

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: HK\$0.80 cents per ordinary share).

## **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.

## **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.

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 consolidated financial statements of our Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

## **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.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual consolidated results announcement is published on the Company’s website at <http://www.dafy.com.hk> and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2017 Annual Report will be despatched to the Shareholders and available on the above website.

## **Appreciation**

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

By order of the Board  
**Dafy Holdings Limited**  
**Gao Yunhong**

*Chairman of the Board and executive Director*

Hong Kong, 27 March 2018

*As at the date of this announcement, the executive Directors are Mr. Gao Yunhong, Ms. Zhu Wenhui, Mr. Qi Gang and Mr. Ng Kin Siu; and the independent non-executive Directors are Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.*