

FDB Holdings Limited

豐展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8248)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) of FDB Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.fdbhk.com.

FINANCIAL HIGHLIGHTS

- The revenue of the Company and its subsidiaries (collectively the “**Group**”) amounted to approximately HK\$395.8 million for the year ended 31 December 2016, representing an increase of approximately HK\$119.0 million or 43.0% as compared with the year ended 31 December 2015.
- The profit and total comprehensive income for the year of the Group is approximately HK\$31.2 million for the year ended 31 December 2016, representing an increase of approximately HK\$15.9 million or 103.9% from approximately HK\$15.3 million for the year ended 31 December 2015.
- A final dividend for the year ended 31 December 2016 of HK0.8 cents per share has been proposed by the Board and is subject to the approval by the shareholders in the forthcoming annual general meeting.

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce that the audited financial results of the Group for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015. The financial information is approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	395,781	276,825
Cost of services		(329,300)	(228,665)
Gross profit		66,481	48,160
Other income		38	176
Other losses		(326)	(21)
Listing expenses		–	(10,094)
Administrative expenses		(27,913)	(17,019)
Finance costs		(613)	(1,366)
Profit before tax	4	37,667	19,836
Income tax expense	6	(6,493)	(4,519)
Profit and total comprehensive income for the year		31,174	15,317
Earnings per share, basic (<i>HK cents</i>)	7	2.5	1.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current asset			
Property, plant and equipment		<u>3,378</u>	<u>2,590</u>
Current assets			
Amounts due from customers for contract works	8	84,897	49,055
Trade and other receivables	9	72,244	60,323
Tax recoverable		99	–
Pledged bank deposits		18,424	3,500
Bank balances and cash		<u>48,987</u>	<u>34,057</u>
		<u>224,651</u>	<u>146,935</u>
Current liabilities			
Trade and other payables	10	120,722	68,650
Advances from customers	10	10,509	10,220
Tax liabilities		1,951	3,498
Bank borrowings		<u>4,424</u>	<u>–</u>
		<u>137,606</u>	<u>82,368</u>
Net current assets		<u>87,045</u>	<u>64,567</u>
Total assets less current liabilities		<u>90,423</u>	<u>67,157</u>
Non-current liability			
Deferred tax liabilities		<u>288</u>	<u>188</u>
Net assets		<u>90,135</u>	<u>66,969</u>
Capital and reserves			
Share capital	11	12,320	12,320
Reserves		<u>77,815</u>	<u>54,649</u>
Total equity		<u>90,135</u>	<u>66,969</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	1,000	–	–	40,554	41,554
Adjustments arising from the Group					
Reorganisation (Note a)	(1,000)	–	1,000	–	–
Issue of ordinary shares (Note 11)	1,541	36,960	–	–	38,501
Capitalisation issue (Note 11)	10,779	(10,779)	–	–	–
Transaction costs attributable to issue of new ordinary shares	–	(4,741)	–	–	(4,741)
Deemed distribution to a shareholder (Note b)	–	–	–	(1,662)	(1,662)
Dividends recognised as distribution (Note 5)	–	–	–	(22,000)	(22,000)
Profit and total comprehensive income for the year	–	–	–	15,317	15,317
At 31 December 2015	12,320	21,440	1,000	32,209	66,969
Dividends recognised as distribution (Note 5)	–	–	–	(8,008)	(8,008)
Profit and total comprehensive income for the year	–	–	–	31,174	31,174
At 31 December 2016	<u>12,320</u>	<u>21,440</u>	<u>1,000</u>	<u>55,375</u>	<u>90,135</u>

Notes:

- (a) As part of the Group Reorganisation (as defined in note 1 to the notes to the consolidated financial statements), there are series of restructuring within 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”), Solomon Consulting & Contracting Limited (“Solomono”), Sky Global Construction Limited (“Sky Global”) and Win Lee (Project Team B) Construction Limited (“Win Lee (Project Team B)”) was credited to other reserve.
- (b) The shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 30 September 2015. The total number of shares involved is 308,000,000 (the “Placing Shares”). Among the Placing Shares of 308,000,000 shares, there are an aggregate of 154,000,000 shares offered by Masterveyor Holdings Limited (“Masterveyor”). Expenses of approximately HK\$1,662,000, which were directly attributable to the placing of these share, were borne by the Company and accounted as deemed distribution to Masterveyor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

To rationalise the corporate structure in preparation for the proposed initial listing of the Company's shares (the "Listing") on the GEM of the Stock Exchange, the entities comprising the Group underwent the group reorganisation (the "Group Reorganisation").

Prior to the Group Reorganisation, the provision of building consultancy services and contracting business and project management were carried out by China PM (Holdings) Limited ("China PM (Holdings)") and its subsidiaries.

Details of the Group 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.

Upon the completion of the Group Reorganisation on 31 March 2015, the Company became the holding company of the companies now comprising the Group. The companies that took part in the Group Reorganisation were controlled by Mr. Ng Kin Siu during both years or since their respective dates of incorporation, where this is a shorter period. As there was no change in the effective interest and control of Mr. Ng Kin Siu over the group entities before and after the Group Reorganisation, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combination" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2015 includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged since 1 January 2015, or since their respective dates of incorporation, where this is a shorter period.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

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.

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, other operating lease payments are presented as operating cash flows. Under the 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.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK\$5,668,000 as disclosed in note 12 to the notes to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence 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 upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group's consolidated financial statements.

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 2016

	Contracting service HK\$'000	Consultancy service HK\$'000	Total HK\$'000
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>37,667</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.

For the year ended 31 December 2015

	Contracting service HK\$'000	Consultancy service HK\$'000	Total HK\$'000
Segment revenue	<u>221,605</u>	<u>55,220</u>	<u>276,825</u>
Segment profit	<u>22,177</u>	<u>25,983</u>	48,160
Unallocated income			176
Listing expenses			(10,094)
Unallocated expenses			<u>(18,406)</u>
Profit before tax			<u>19,836</u>

Geographical information

The Group principally operates in Hong Kong (country of domicile of major operating subsidiaries). Over 98% (2015: 100%) of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. 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 as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer 1	81,851	N/A ¹
Customer 2	48,351	37,981
Customer 3	45,650	N/A ¹
Customer 4	N/A ¹	50,583
Customer 5	N/A ¹	31,526

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

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

4. PROFIT BEFORE TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Directors' emoluments	6,284	2,798
Salaries and other allowances	57,547	42,069
Retirement benefit scheme contributions, excluding those of directors	2,095	1,544
	<hr/>	<hr/>
Total staff costs	65,926	46,411
Less: amounts included in cost of services	(55,981)	(40,365)
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	9,945	6,046
	<hr/> <hr/>	<hr/> <hr/>
Auditors' remuneration	980	780
Depreciation of property, plant and equipment	1,005	717
Operating lease rentals in respect of		
— Office premises	3,383	3,098
— Director's quarter (included in directors' emoluments)	720	900
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5. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015 Final — HK0.65 cents per share (2014: nil)	8,008	–
2015 dividend (<i>Note</i>)	–	10,000
2015 special (<i>Note</i>)	–	12,000
	<u>8,008</u>	<u>22,000</u>

Note: Fruit Design and the Company declared and paid the dividend and special dividend of HK\$10,000,000 and HK\$12,000,000, respectively, during the year ended 31 December 2015. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of these consolidated financial statements.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK0.80 cents (2015: final dividend in respect of the year ended 31 December 2015 of HK0.65 cents) per ordinary share, in an aggregate amount of HK\$9,856,000 (2015: HK\$8,008,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

6. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Income tax		
Current year	6,463	4,923
Overprovision in prior years	(70)	(404)
	<u>6,393</u>	4,519
Deferred tax	100	–
Income tax expense	<u>6,493</u>	<u>4,519</u>

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

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before tax	<u>37,667</u>	<u>19,836</u>
Tax charge at Hong Kong Profits Tax Rate of 16.5%	6,215	3,272
Tax effect of expenses not deductible for tax purpose	254	1,731
Overprovision in respect of prior years	(70)	(404)
Others	94	(80)
Tax expense for the year	<u>6,493</u>	<u>4,519</u>

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share	<u>31,174</u>	<u>15,317</u>
	2016 '000	2015 '000

Number of shares

Number of ordinary shares (2015: weighted average number of ordinary shares) for the purpose of basic earnings per share	<u>1,232,000</u>	<u>1,117,238</u>
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The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2015 has been determined on the assumption that the Group Reorganisation and the capitalisation issue had been effective on 1 January 2015.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	710,686	427,291
Less: progress billings	<u>(625,789)</u>	<u>(378,236)</u>
	<u>84,897</u>	<u>49,055</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract works	<u>84,897</u>	<u>49,055</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\$20,598,000 and HK\$9,194,000 as at 31 December 2016 and 2015, respectively, which were expected to be recovered or settled in more than twelve months from the end of corresponding reporting periods.

9. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	55,169	44,273
Retention receivables	9,475	12,115
Less: allowance for doubtful debts	<u>(613)</u>	<u>(291)</u>
	<u>64,031</u>	<u>56,097</u>
Other receivables, deposits and prepayments		
— Prepayment	5,420	1,534
— Sundry deposits	1,936	2,601
— Temporary payment	847	79
— Other receivables	<u>10</u>	<u>12</u>
	<u>8,213</u>	<u>4,226</u>
	<u><u>72,244</u></u>	<u><u>60,323</u></u>

Note: All retention money in relation to completed projects as at 31 December 2016 were expected to be recovered or settled within twelve months from the end of the reporting period.

The Group allows average 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables:		
1–30 days	39,511	26,553
31–60 days	6,628	9,312
61–90 days	664	790
91–180 days	3,032	2,210
Over 180 days	<u>5,012</u>	<u>5,408</u>
	<u>54,847</u>	<u>44,273</u>

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$33,592,000 (2015: HK\$32,534,000) 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Overdue:		
1–30 days	24,502	15,418
31–60 days	1,196	9,030
Over 60 days	<u>7,894</u>	<u>8,086</u>
	<u>33,592</u>	<u>32,534</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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of year	291	2,365
Impairment losses recognised	322	–
Amounts written off as uncollectible	–	(1,989)
Amounts recovered during the year	–	(85)
	<u>613</u>	<u>291</u>

10. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	24,430	17,632
Retention payables (<i>Note a</i>)	13,225	10,166
Accrued subcontracting charges and other operating expenses	75,155	40,122
Deposits from customers	7,912	730
	<u>120,722</u>	<u>68,650</u>
Advances from customers (<i>Note b</i>)	<u>10,509</u>	<u>10,220</u>
	<u><u>131,231</u></u>	<u><u>78,870</u></u>

Notes:

- (a) Approximately HK\$6,412,000 and HK\$6,195,000 as at 31 December 2016 and 2015 respectively were aged more than twelve months from the end of the reporting periods. All retention payables as at 31 December 2016 were expected to be paid or settled within twelve months from the end of the corresponding reporting period.
- (b) Advances from customers are unsecured and will be utilised to set off progress billings. Included in the balance, approximately HK\$3,000,000 (2015: HK\$10,220,000) carry interest at a rate of 3% (2015: ranging from 7% to 8%) 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 each reporting period is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables:		
1-30 days	15,624	5,568
31-60 days	2,067	3,084
61-90 days	550	2,089
Over 90 days	6,189	6,891
	<u>24,430</u>	<u>17,632</u>

11. SHARE CAPITAL

	Number of Shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
On date of incorporation on 19 March 2015 (<i>Note a</i>)	38,000,000	380
Increase on 16 September 2015 (<i>Note b</i>)	<u>3,962,000,000</u>	<u>39,620</u>
At 31 December 2015 and 2016	<u><u>4,000,000,000</u></u>	<u><u>40,000</u></u>
Issued and fully paid:		
1 share allotted and issued on the date of incorporation (<i>Note a</i>)	1	–
Issue of share on 31 March 2015 pursuant to the Group Reorganisation (<i>Note a</i>)	1	–
Issue of shares on 16 September 2015 (<i>Note c</i>)	99,998	1
Issue of share on 30 September 2015 (<i>Note d</i>)	154,000,000	1,540
Capitalisation issue (<i>Note e</i>)	<u>1,077,900,000</u>	<u>10,779</u>
At 31 December 2015 and 2016	<u><u>1,232,000,000</u></u>	<u><u>12,320</u></u>

Notes:

- (a) The Company was incorporated in the Cayman Islands on 19 March 2015 with an authorised share capital of HK\$380,000 divided in to 38,000,000 shares. One nil-paid share was allotted and issued to the subscriber, being an independent third party which was later transferred to Masterveyor, the immediate and ultimate holding company of the Company on 31 March 2015. In addition, the Company issued one share to Masterveyor to acquire the entire issued share capital of FDB & Associates Limited ("FDB & Associates") on 31 March 2015. After the aforesaid allotment and issue of share, the then issued share capital of the Company was wholly-owned by Masterveyor.

Masterveyor is a company incorporated in the BVI on 24 February 2015 with limited liability which is a holding vehicle of the Company and wholly owned by Mr. Ng Kin Siu.

- (b) Pursuant to the written resolutions passed by the sole shareholder on 16 September 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$40,000,000 divided into 4,000,000,000 ordinary shares by the creation of additional 3,962,000,000 new ordinary shares which shall, when issued, rank pari passu in all respects with the existing issued ordinary shares.
- (c) On 16 September 2015, the Company issued and allotted a further 99,998 share of HK\$0.01 each to Masterveyor.
- (d) On 30 September 2015, the Company placed 154,000,000 new share at HK\$0.25 per share for a total gross proceeds of approximately HK\$38,500,000 (the “Placing”).
- (e) Pursuant to the written resolutions passed by the sole shareholder of the Company on 21 September 2015, after the share premium account of the Company being credited as a result of the Placing of the Company’s shares, the directors were authorised to capitalise the amount of HK\$10,779,000 from the share premium account of the Company and to apply such amount as to pay up in full at par a total 1,077,900,000 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 16 September 2015 in proportion to their then existing shareholdings in the Company.

12. OPERATING LEASE COMMITMENTS

The Group as lessee

As at the end of each 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:

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
Within one year	4,020	2,936
In the second to fifth year inclusive	1,648	336
	5,668	3,272

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

13. 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. In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

As at 31 December 2016, the outstanding amount of surety bonds of the Group was approximately HK\$11,600,000 (2015: HK\$3,473,000).

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.

Business Review and Outlook

For the year ended 31 December 2016, there were 65 contracting projects and 368 consulting projects (2015: 55 contracting projects and 297 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 2016, the Group's in house team of professional staff for both contracting and consulting service comprised of a total of 18 (2015: 20) 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, our Group will continue to further develop our contracting and consulting business by undertaking more projects for alteration and addition works and further strengthen our 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 new contracting opportunities which can widen its current business area and provide more comprehensive services to the clients and allocate more human resources for consultancy services in the public sector.

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 2016, the revenue from contracting service was the main source of revenue which amounted to approximately HK\$333.4 million (2015: HK\$221.6 million), representing approximately 84.2% (2015: approximately 80.1%) of the Group's total revenue.

The revenue from contracting service increased by HK\$111.8 million or 50.5% from approximately HK\$221.6 million for the year ended 31 December 2015 to approximately HK\$333.4 million for the year ended 31 December 2016. The increase was mainly due to increase in number of contracting projects with larger contract sum for the year ended 31 December 2016.

The revenue from consulting service for the year ended 31 December 2016 was approximately HK\$62.4 million (2015: approximately HK\$55.2 million), representing approximately 15.8% (2015: approximately 19.9%) of the Group's total revenue.

The revenue from consulting service increased by HK\$7.2 million or 13.0% from approximately HK\$55.2 million for the year ended 31 December 2015 to approximately HK\$62.4 million for the year ended 31 December 2016. The increase was mainly due to increase in the demand for the services which evidenced by the increase in the number of consulting projects for the year ended 31 December 2016.

The total revenue of the Group increased by approximately HK\$119.0 million or 43.0% from approximately HK\$276.8 million for the year ended 31 December 2015 to approximately HK\$395.8 million for the year ended 31 December 2016. The increase was mainly due to the combined effect of the increase in revenue from both contracting and consulting services.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately HK\$18.3 million or 38.0% from approximately HK\$48.2 million for the year ended 31 December 2015 to approximately HK\$66.5 million for the year ended 31 December 2016, while the gross profit margin of the Group decreased from approximately 17.4% for the year ended 31 December 2015 to 16.8% for the year ended 31 December 2016.

The gross profit of contracting service increased by approximately HK\$21.2 million or 95.5% from approximately HK\$22.2 million for the year ended 31 December 2015 to approximately HK\$43.4 million for the year ended 31 December 2016, while the gross profit margin of the contracting services increased from approximately 10.0% for the year ended 31 December 2015 to 13.0% for the year ended 31 December 2016.

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 certain contracting projects with relatively higher gross profit margin thus increase in gross profit and gross profit margin is resulted for the year ended 31 December 2016.

The gross profit of consulting service decreased by approximately HK\$2.9 million or 11.2% from approximately HK\$26.0 million for the year ended 31 December 2015 to approximately HK\$23.1 million for the year ended 31 December 2016, and the gross profit margin of the consulting services decreased from approximately 47.1% for the year ended 31 December 2015 to 37.0% for the year ended 31 December 2016.

The decrease in gross profit in consulting service was mainly driven by (i) the Group had 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 2016.

The overall increase in the gross profit of the Group was mainly contributed by the increase in gross profit in contracting services. The overall decrease in gross profit margin of the Group was mainly contributed by the decrease in gross profit margin in consulting services which net off with the increase in the gross profit margin in contracting services.

Other Income

Other income of the Group decreased by approximately HK\$138,000 or 78.4% from approximately HK\$176,000 for the year ended 31 December 2015 to approximately HK\$38,000 for the year ended 31 December 2016. The decrease was mainly due to a one-off bad debts recovered of approximately HK\$85,000 for the year ended 31 December 2015 in relation to certain long outstanding receivable has been settled by the customers while no such recovery of bad debts was recognised for the year ended 31 December 2016.

Other losses

Other losses of the Group increased by approximately HK\$305,000 or 1,452.4% from approximately HK\$21,000 for the year ended 31 December 2015 to approximately HK\$326,000 for the year ended 31 December 2016. The increase was mainly due to the impairment losses recognized on trade receivables of approximately HK\$322,000 for the year ended 31 December 2016.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$10.9 million or 64.1% from approximately HK\$17.0 million for the year ended 31 December 2015 to approximately HK\$27.9 million for the year ended 31 December 2016.

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

Listing Expenses

During the year ended 31 December 2015, the Group recognised non-recurring listing expenses of approximately HK\$10.1 million, as expenses in connection with its listing exercise. No such expenses was incurred for the year ended 31 December 2016.

Finance Costs

Finance costs for the Group decreased by approximately HK\$0.8 million or 57.1% from approximately HK\$1.4 million for the year ended 31 December 2015 to approximately HK\$0.6 million for the year ended 31 December 2016. It was mainly due to the decrease in interest rate of the Group's advances from customer during the year ended 31 December 2016.

Income Tax Expense

Income tax expense for the Group increased by approximately HK\$2.0 million or 44.4% from approximately HK\$4.5 million for the year ended 31 December 2015 to approximately HK\$6.5 million for the year ended 31 December 2016. The increase was mainly attributable to the increase in profit before tax from approximately HK\$19.8 million for the year ended 31 December 2015 to approximately HK\$37.7 million for the year ended 31 December 2016.

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 increased by approximately HK\$15.9 million or 103.9% from approximately HK\$15.3 million for the year ended 31 December 2015 to approximately HK\$31.2 million for the year ended 31 December 2016.

Such increase was primarily attributable to the net effect of (i) the listing expenses incurred by the Group for its listing exercise during the year ended 31 December 2015 while no such expenses for the year ended 31 December 2016; (ii) the increase in the administrative expenses incurred by the Group for the year ended 31 December 2016; and (iii) the increase in revenue and gross profit for the year ended 31 December 2016.

Liquidity and Financial Resources

The current ratio remained stable at approximately 1.6 times as at 31 December 2016 to 1.8 times as at 31 December 2015.

As at 31 December 2016, the Group's advances from customers of approximately HK\$10.5 million, which bear interest at 0%–3% per annum (2015: HK\$10.2 million, which bear interest at 7%–8% per annum). In addition, the Group had bank borrowings of approximately HK\$4.4 million as at 31 December 2016 (2015: Nil). 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%, stood at approximately 16.5% as at 31 December 2016 (2015: approximately 15.3%). The Group's financial position is sound and strong. 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 the GEM Board of the Stock Exchange on 30 September 2015. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2016, 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\$5.7 million as at 31 December 2016 (2015: approximately HK\$3.3 million).

Segmental Information

Segmental information is presented for the Group as disclosed on note 3 of the notes to the consolidated financial statements.

Future Plans for Material Investments and Capital Assets

As at 31 December 2016, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the financial year ended 31 December 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent Liabilities

Save as disclosed on note 13 of the notes to the consolidated financial statements, as at 31 December 2015 and 2016, 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 2016, the Group's pledged its bank deposit to a bank of approximately HK\$18.4 million (2015: approximately HK\$3.5 million) to secure the guarantee line for issuing surety bonds and general banking borrowing facilities with amount of approximately HK\$48.1 million (2015: approximately HK\$3.5 million).

Employees and Remuneration Policies

As at 31 December 2016, the Group employed a total of 176 employees (2015: 143 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$65.9 million for the year ended 31 December 2016 (2015: approximately HK\$46.4 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 with the Group's actual business progress for the period from 30 September 2015 ("Date of Listing") to 31 December 2016 is set out below:

Business objectives	Actual progress
Further developing the Group's contracting and consulting business	The Group has used HK\$6.2 million to further developing the Group's contracting business by undertake more contracting projects.
Further expanding the scope of services	The Group has used HK\$1.0 million for recruit 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) has lapsed. The Group intends to resubmit such application by the end of April 2017.
Further strengthening the Group in house team of professional staff	The Group has used HK\$3.0 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 30 September 2015, after deducting listing related expenses, were approximately HK\$21.9 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 31 December 2016 was approximately HK\$10.6 million.

An analysis of the planned amount utilised up to 31 December 2016 is set out below:

	Planned amount utilised up to 31 December 2016	Actual utilised amount as at 31 December 2016	Unutilised amount out of the planned amount as at 31 December 2016
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Further developing the Group's contracting and consulting business	6.8	6.2	0.6
Further expanding the scope of services	2.1	1.0	1.1
Further strengthening the Group in house team of professional staff	3.0	3.0	–
General working capital	1.1	1.1	–
	<u>13.0</u>	<u>11.3</u>	<u>1.7</u>

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Since the Listing, the Board recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed in 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. 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.

Mr. Ng Kin Siu currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

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 2016.

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. 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 2016.

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 2016.

Dividend

The Board recommends the payment of a final dividend of HK0.8 cents per share of the Company for the year ended 31 December 2016, to the shareholders of the Company whose names are on the register of members on Tuesday, 16 May 2017 subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 28 April 2017 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

Annual General Meeting

The annual general meeting of the Company will be held on Friday, 28 April 2017, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

Closure of Register of Members

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 Wednesday, 26 April 2017 to Friday, 28 April 2017, 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 Tuesday, 25 April 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the annual general meeting. The record date for entitlement to the proposed final dividend is Tuesday, 16 May 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 12 May 2017 to Tuesday, 16 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 11 May 2017. The payment of final dividend will be made on or about Friday, 26 May 2017.

Audit Committee

The Company established an audit committee ("Audit Committee") on 16 September 2015 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Chan Kai Nang, Mr. Chan Chun Hong and Mr. Lau Yiu Kit, all being independent non-executive Directors of the Company. Mr. Chan Kai Nang currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the year ended 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2016 and up to the date of this announcement.

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
FDB Holdings Limited
Ng Kin Siu
Chairman and Executive Director

Hong Kong, 28 February 2017

As at the date of this announcement, the executive Directors are Mr. Ng Kin Siu, Mr. Chung Yuk Ming Christopher and Mr. Lai Pak Wei; and the independent non-executive Directors are Mr. Chan Kai Nang, Mr. Lau Yiu Kit and Mr. Chan Chun Hong.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website (www.hkexnews.hk) for 7 days from the date of this publication. This announcement will also be published on the website of the Company (www.fdbhk.com).