达飞控股
Dafy Holdings

INTERIM REPORT 中期業績報告 2018

Dafy Holdings Limited
達飛控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code : 1826
股份代號：1826

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Gao Yunhong *(Chairman)*
(appointed on 5 January 2018)
Ms. Zhu Wenhui
(appointed on 5 January 2018 and resigned on 18 July 2018)
Mr. Lu Xin
(appointed on 18 July 2018)
Mr. Qi Gang
(appointed on 5 January 2018)
Mr. Ng Kin Siu
(Chief executive officer)
Mr. Chung Yuk Ming Christopher
(resigned on 5 January 2018)
Mr. Ip Kong Ling
(appointed on 3 November 2017 and resigned on 5 January 2018)

Independent non-executive Directors:

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

COMPANY SECRETARY

Mr. Yu Tsz Ngo

COMPLIANCE OFFICER

Mr. Ng Kin Siu

LEGAL ADVISER

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

AUTHORISED REPRESENTATIVES

Mr. Ng Kin Siu
Mr. Yu Tsz Ngo

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

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STOCK CODE

1826

FINANCIAL HIGHLIGHTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Relevant Period"), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

	For the six months ended 30 June		
	2018	2017	
	HK$'000	*HK$'000*	Change %
	(Unaudited)	(Unaudited)	
Revenue	**306,083**	268,364	14.1%
Gross profit	**19,109**	24,228	(21.1%)
Profit attributable to owners of the Company	**2,396**	7,467	(67.9%)
Earnings per share	**HK0.2 cents**	HK0.6 cents	(66.7%)

- The Group's revenue amounted to approximately HK$306.1 million for the Relevant Period, representing an increase of approximately HK$37.7 million or approximately 14.1% as compared with the six months ended 30 June 2017.

- The profit attributable to owners of the Company is approximately HK$2.4 million for the Relevant Period, representing the decrease of approximately HK$5.1 million or approximately 67.9% as compared with the six months ended 30 June 2017.

- The Board does not recommend the payment of an interim dividend for the Relevant Period.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF DAFY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dafy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 33, which comprises the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**306,083**	268,364
Cost of services		**(286,974)**	(244,136)
Gross profit		**19,109**	24,228
Other income	*5A*	**144**	174
Other gains and losses	*5B*	**(38)**	7
Administrative expenses		**(14,803)**	(15,032)
Finance costs	*6*	**(866)**	(109)
Profit before tax	*7*	**3,546**	9,268
Income tax expense	*8*	**(1,150)**	(1,801)
Profit for the period		**2,396**	7,467
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**11**	–
Total comprehensive income for the period		**2,407**	7,467
Earnings per share, basic (HK cents)	*10*	**0.2**	0.6

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,836**	3,130
Deposit paid for acquisition of property, plant and equipment		**893**	–
		3,729	3,130
Current assets			
Trade and other receivables	*11*	**88,473**	141,885
Amounts due from customers for contract works		**–**	186,197
Contract assets	*12*	**161,885**	–
Tax recoverable		**1,600**	1,617
Pledged bank deposits		**33,122**	35,999
Bank balances and cash		**36,871**	19,191
		321,951	384,889
Current liabilities			
Trade and other payables	*13*	**151,196**	214,882
Advances from customers	*13*	**–**	6,581
Contract liabilities	*14*	**19,218**	–
Tax liabilities		**3,369**	2,236
Bank borrowings	*15*	**39,067**	52,623
		212,850	276,322
Net current assets		**109,101**	108,567
Total assets less current liabilities		**112,830**	111,697
Non-current liability			
Deferred tax liabilities		**235**	235
Net assets		**112,595**	111,462
Capital and reserves			
Share capital	*16*	**12,320**	12,320
Reserves		**100,275**	99,142
Total equity		**112,595**	111,462

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note)			
At 1 January 2017 (audited)	12,320	21,440	1,000	–	55,375	90,135
Profit and total comprehensive income for the period	–	–	–	–	7,467	7,467
Dividend *(Note 9)*	–	–	–	–	(9,856)	(9,856)
At 30 June 2017 (unaudited)	12,320	21,440	1,000	–	52,986	87,746
At 31 December 2017 (audited)	**12,320**	**21,440**	**1,000**	**–**	**76,702**	**111,462**
Adjustments (see note 3)	**–**	**–**	**–**	**–**	**(1,274)**	**(1,274)**
At 1 January 2018 (restated)	**12,320**	**21,440**	**1,000**	**–**	**75,428**	**110,118**
Profit for the period	**–**	**–**	**–**	**–**	**2,396**	**2,396**
Other comprehensive income	**–**	**–**	**–**	**11**	**–**	**11**
At 30 June 2018 (unaudited)	**12,320**	**21,440**	**1,000**	**11**	**77,824**	**112,595**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**30,288**	(32,235)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(350)**	(368)
Deposit paid for acquisition of property, plant and equipment	**(893)**	–
Withdrawal of pledged bank deposits	**2,877**	–
Placement of pledged bank deposits	**–**	(9,050)
Interest received	**24**	10
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,658**	(9,408)
FINANCING ACTIVITIES		
Interest paid	**(866)**	(109)
Bank borrowings raised	**25,000**	29,156
Repayment of bank borrowings	**(38,556)**	(7,746)
Dividend paid	**–**	(9,856)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(14,422)**	11,445
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**17,524**	(30,198)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**19,191**	48,987
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**156**	–
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**36,871**	18,789

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

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

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 condensed consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Contracting business and project management ("Contracting service")

- Provision of building consultancy services ("Consulting service")

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) or represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under HKFRS 15 at 1 January 2018**
		HK$'000	*HK$'000*	***HK$'000***
Current assets				
Amounts due from customers for contract works	*(a)*	186,197	(186,197)	**–**
Trade and other receivables	*(a)*	141,885	(21,840)	**120,045**
Contract assets	*(a)*	–	208,037	**208,037**
Current liabilities				
Trade and other payables	*(b)*	214,882	(8,075)	**206,807**
Advances from customers	*(b)*	6,581	(6,581)	**–**
Contract liabilities	*(b)*	–	14,656	**14,656**

Notes:

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK$186,197,000 and HK$21,840,000 of amounts due from customers for contract works and retention receivables in relation to completed contracts within defect liability period included in trade and other receivables, respectively, were reclassified to contract assets.

(b) As at 1 January 2018, customer deposits and advances from customers of HK$8,075,000 and HK$6,581,000 previously included in trade and other payables and advances from customers, respectively, were reclassified to contract liabilities

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustment	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract works	–	151,038	151,038
Trade and other receivables	88,608	11,986	100,594
Contract assets	163,024	(163,024)	–
Current liabilities			
Trade and other payables	151,196	12,637	163,833
Advances from customers	–	6,581	6,581
Contract liabilities	19,218	(19,218)	–

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these condensed consolidated financial statements.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in measurement on the Group's financial assets and the impact thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposits and bank balances and cash and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

The Group considers that a default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Financial assets at amortised cost (previously classified as loans and receivables *HK$'000*	Contract assets *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Retained earnings *HK$'000*
Closing balance at 31 December 2017					
— HKAS 39		194,565	–	132,461	76,702
Effect arising from initial application of HKFRS 15		(21,840)	208,037	–	–
Effect arising from initial application of HKFRS 9					
Remeasurement					
Impairment under ECL model	(a)	(135)	(1,139)	–	(1,274)
Opening balance at 1 January 2018		172,590	206,898	132,461	75,428

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Note: (Continued)

(a) Impairment under ECL model (Continued)

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, bank balances and cash and pledged bank deposits are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of approximately HK$1,274,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

All loss allowances for financial assets including trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Other financial assets at amortised cost	**Contract assets**	**Trade receivables**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2017 — HKAS 39	291	–	–
Amount remeasured through opening retained earnings	–	1,139	135
Opening balance at 1 January 2018	291	1,139	135

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Amounts due from customers for contract works	186,197	(186,197)	–	–
Trade and other receivables	141,885	(21,840)	(135)	119,910
Contract assets	–	208,037	(1,139)	206,898
Current liabilities				
Trade and other payables	214,882	(8,075)	–	206,807
Advances from customers	6,581	(6,581)	–	–
Contract liabilities	–	14,656	–	14,656
Capital and reserves				
Reserves	99,142	–	(1,274)	97,868

4. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable for Contracting service and Consulting service provided by the Group and recognised over time.

Information reported to the executive directors of the Company, being the chief operating decision maker, 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 service

2. Consulting service

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2018

	Contracting service *HK$'000* **(Unaudited)**	**Consulting service** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
REVENUE			
Segment revenue	**283,065**	**23,018**	**306,083**
Segment profit	**16,438**	**2,671**	**19,109**
Unallocated income			**145**
Unallocated expenses			**(15,708)**
Profit before tax			**3,546**
Income tax expense			**(1,150)**
Profit for the period			**2,396**

For the six months ended 30 June 2017

	Contracting service *HK$'000* (Unaudited)	Consulting service *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
REVENUE			
Segment revenue	238,825	29,539	268,364
Segment profit	18,904	5,324	24,228
Unallocated income			181
Unallocated expenses			(15,141)
Profit before tax			9,268
Income tax expense			(1,801)
Profit for the period			7,467

5A. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**24**	10
Others	**120**	164
	144	174

5B. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**1**	7
Loss on disposal of property, plant and equipment	**(39)**	–
	(38)	7

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**859**	78
Bank overdrafts	**7**	5
Advances from customers	**–**	26
	866	109

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Directors' emoluments	**2,182**	3,180
Salaries and other allowances	**39,522**	39,437
Retirement benefit scheme contributions, excluding those of directors	**1,548**	1,390
Total staff costs	**43,252**	44,007
Less: amounts included in cost of services	**(38,406)**	(36,350)
	4,846	7,657
Depreciation of property, plant and equipment	**605**	549
Minimum lease payments paid under operating leases in respect of		
— Office premises	**2,251**	1,867
— Director's quarter (included in directors' emoluments)	**381**	360

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**1,150**	1,801

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the period ended 30 June 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the period ended 30 June 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

9. DIVIDEND

During the six months ended 30 June 2017, a final dividend of HK0.8 cents per share in respect of the year ended 31 December 2016 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the six month ended 30 June 2017 amounted to HK$9,856,000.

No dividends were paid, declared or proposed during the six months ended 30 June 2018. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2018.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share	**2,396**	7,467

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**1,232,000**	1,232,000

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

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	**60,338**	109,773
Less: allowance for doubtful debts	**(135)**	–
	60,203	109,773
Retention receivables	**14,520**	26,767
Less: allowance for doubtful debts	**(291)**	(291)
	14,229	26,476
Other receivables, deposits and prepayments		
— Prepayment	**3,144**	2,510
— Sundry deposits	**3,225**	2,183
— Temporary payment	**896**	751
— Other receivables	**6,776**	192
	14,041	5,636
	88,473	141,885

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

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables:		
1–30 days	**32,704**	81,040
31–60 days	**2,831**	7,065
61–90 days	**9,182**	6,414
91–180 days	**8,309**	9,890
Over 180 days	**7,177**	5,364
	60,203	109,773

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$38,167,000 (31 December 2017: approximately HK$57,407,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Overdue:		
1–30 days	**12,674**	32,838
31–60 days	**7,490**	4,665
Over 60 days	**18,003**	19,904
	38,167	57,407

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit 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 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.

Since the adoption of the HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, the cumulative impairment allowance on trade receivables amounted to approximately HK$135,000 as at 30 June 2018.

12. CONTRACT ASSETS

	30 June 2018 HK$'000 (Unaudited)
Contract assets	**161,885**

Included in contract assets are retention held by customers for contract works amounted to approximately HK$43,710,000 as at 30 June 2018, which were expected to be recovered or settled in more than twelve months from the end of the reporting period.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on contracting and consultancy services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables within twelve months from the end of the reporting period.

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, the cumulative impairment allowance on contract assets amounted to approximately HK$1,139,000 as at 30 June 2018.

13. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Trade payables	**27,950**	46,327
Retention payables *(Note a)*	**43,776**	33,511
Accrued subcontracting charges and other operating expenses	**79,470**	126,969
Deposits from customers	**–**	8,075
	151,196	214,882
Advances from customers *(Note b)*	**–**	6,581
	151,196	221,463

13. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS (CONTINUED)

Notes:

(a) Retention payables amounted to approximately HK$14,403,000 (31 December 2017: approximately HK$8,175,000) as at 30 June 2018 were aged more than twelve months from the end of the reporting period. All retention payables were expected to be paid or settled within twelve months from the end of the reporting period.

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

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

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables:		
1–30 days	**23,046**	40,355
31–60 days	**440**	2,223
61–90 days	**732**	979
Over 90 days	**3,732**	2,770
	27,950	46,327

14. CONTRACT LIABILITIES

	30 June 2018
	HK$'000
	(Unaudited)
Deposits from customers	**12,637**
Advances from customers *(Note a)*	**6,581**
	19,218

Note:

(a) Advances from customers are unsecured and will be set off progress billings. Included in the balance as at 30 June 2018, HK$3,000,000 carried interest at a rate of 5.25% and the remaining balance was interest-free.

15. BANK BORROWINGS

The variable-rate bank borrowings are repayable as follows:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Carrying amount of secured bank loans that are repayable on demand or within one year (shown under current liabilities)	**39,067**	52,623

Note:

As at 30 June 2018 and 31 December 2017, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledged bank deposits.

As at 30 June 2018, the Group's variable-rate bank borrowings are all denominated in HK$ (31 December 2017: HK$) and carry interest at rates ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.8% to HIBOR plus 2.7% per annum (31 December 2017: from HIBOR plus 1.8% to HIBOR plus 3% per annum).

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

	30 June 2018 **(Unaudited)**	31 December 2017 (Audited)
Variable-rate per annum:		
Bank borrowings	**3.82%–4.72%**	2.99%–4.19%

16. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2017 and 30 June 2018	4,000,000,000	40,000
Issued and fully paid:		
As at 31 December 2017 and 30 June 2018	1,232,000,000	12,320

17. 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:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**3,870**	2,988
In the second to fifth year inclusive	**2,736**	575
	6,606	3,563

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

18. CAPITAL COMMITMENTS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**155**	–

19. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**2,173**	3,153
Retirement benefit scheme contributions	**9**	27
	2,182	3,180

20. EVENTS AFTER REPORTING PERIOD

On 4 July 2018, the Group entered into a placing letter with a placing agent whereby the Group has agreed to subscribe 137,740,000 shares of CMBC Capital Holdings Limited ("CMBC Capital"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange at a subscription price of HK$0.363 per share (the "Subscription"). The aggregate consideration of the Subscription was HK$50,003,470 (including transaction costs), which has been paid in cash and financed by the Company's internal resources and a shareholder loan from Gentle Soar, in the principal amount of HK$50,000,000 (the "Shareholder Loan"). The Shareholder Loan is unsecured, interest free and repayable on 19 July 2019. The Subscription has been completed on 20 July 2018 and after the completion, the Group holds 0.30% interest in CMBC Capital.

On 3 August 2018, the Group entered into a Sale and Purchase Agreement with Mr. Gao, pursuant to which Mr. Gao agreed to sell, and the Group agreed to acquire, 51% of the equity interest in 上饒市達飛金融信息服務有限公司 (Shangrao Dafy Financial Data Service Co., Ltd.*) a company established under the laws of the PRC on 12 June 2018 with a registered share capital of RMB100,000,000, which was wholly and beneficially owned by Mr. Gao, at a consideration of RMB1.00. The transaction has been completed on the same date. The directors of the Company are in progress assessing the financial impact of the transaction to the Group.

* *For identification purposes only*

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 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

The Directors expect that while there are certain factors affecting the construction industry in Hong Kong such as (i) the uncertain external economic environment; (ii) the intense competition in the market; and (iii) the continuously rising construction labour and material costs; which may exert pressure on the Group's business, the overall market conditions of the construction industry in Hong Kong are relatively stable.

With the Group's experienced management and project team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such market conditions that are commonly experienced by all competitors, and the Group will continue to strengthen its market position in the industry and expand its market share by securing more alteration and addition works projects.

The Directors have been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. On 13 April 2018, Shanghai Faye Yu Technology Co., Ltd.* (上海飛毓科技有限公司) (the "PRC Subsidiary") was established as a wholly-owned subsidiary of the Company in the People's Republic of China (the "PRC"). The PRC Subsidiary shall be principally engaged in the provision of, among other things, computer information, network and electronic technology development, consulting and advertising in the PRC. The Directors believe that

* *For identification purpose only*

this will diversify the Group's business, maintain the continuous growth of the Group and enhance the long-term growth potential of the Company and its shareholders' value. The establishment of the PRC Subsidiary is the Company's proactive attempt to utilise shareholders' resources in expanding its business into the PRC.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$268.4 million for the six months ended 30 June 2017 to approximately HK$306.1 million for the six months ended 30 June 2018, representing a growth of approximately 14.1%. Such increase was mainly attributable to the increase in number of contracting projects with larger contract sum for the Relevant Period.

Cost of Services

Our cost of services increased from approximately HK$244.1 million for the six months ended 30 June 2017 to approximately HK$287.0 million for the six months ended 30 June 2018, representing an increase of approximately 17.6%. Such increase was mainly attributable to the increase in our subcontracting charges incurred.

Gross Profit

Our gross profit decreased from approximately HK$24.2 million for the six months ended 30 June 2017 to HK$19.1 million for the six months ended 30 June 2018, representing a decrease of approximately 21.1%. Also, the gross profit margin decreased from approximately 9.0% for the six months ended 30 June 2017 to approximately 6.2% for the six months ended 30 June 2018 which is the result of: (i) the Group's competitive pricing strategy in order to penetrate the market; (ii) the intense labour market competition which has led to an increase in subcontracting charges and direct labour costs; and (iii) the involvement of nominated subcontractors in some of our projects, for which we charged a lower markup in proportion to the supervisory role we acted in those projects.

Other Income

Our other income amounted to approximately HK$174,000 and HK$144,000 for the six months ended 30 June 2017 and 2018, respectively, representing a decrease of approximately 17.2%, which was mainly due to a decrease in the net reimbursement amount from the insurance company, relating to the payment of compensation to an injured worker, and net off with the sales of scrap materials during the Relevant Period.

Administrative Expenses

Our administrative expenses amounted to approximately HK$15.0 million and HK$14.8 million for the six months ended 30 June 2017 and 2018, respectively, representing a decrease of approximately 1.3%. Our administrative expenses primarily consist of staff costs, rental expenses and legal and professional fee. It remained at a similar level during the Relevant Period.

Finance Costs

The finance costs of the Group increased by approximately HK$0.8 million or 800% from approximately HK$0.1 million for the six months ended 30 June 2017 to approximately HK$0.9 million for the six months ended 30 June 2018. The increase was mainly due to an increase in borrowings for financing our construction projects in progress during the six months ended 30 June 2018.

Income Tax Expense

The income tax expense of the Group decreased by approximately HK$0.6 million or 33.3% from approximately HK$1.8 million for the six months ended 30 June 2017 to approximately HK$1.2 million for the six months ended 30 June 2018.

Profit and Total Comprehensive Income for the period attributable to the owners of the Company

Our profit and total comprehensive income for the period attributable to the owners of the Company decreased by approximately HK$5.1 million or 68.0% from approximately HK$7.5 million for the six months ended 30 June 2017 to approximately HK$2.4 million for the six months ended 30 June 2018.

Such decrease was primarily attributable to the decrease in gross profit due to the aforementioned reasons for the Relevant Period.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 30 June 2018 was 1.51 times as compared to that of 1.39 times as at 31 December 2017. It remained at a similar level during the Relevant Period.

As at 30 June 2018, the Group's advances from customers of approximately HK$6.6 million, out of which an amount of HK$3,000,000 carried interest at a rate of 5.25% and the remaining balance was interest-free (31 December 2017: approximately HK$6.6 million, out of which an amount of HK$3,000,000 carried interest at a rate of 5.25% and the remaining balance was interest-free). In addition, the Group had bank borrowings of approximately HK$39.1 million as at 30 June 2018 (31 December 2017: approximately HK$52.6 million). The gearing ratio, calculated based on the total borrowings (including advances from customers and bank borrowings) divided by total equity at the end of the period/year and multiplied by 100%, stood at approximately 36.9% as at 30 June 2018 (31 December 2017: approximately 53.1%). 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

There has been no change in the capital structure of the Group. The share capital of the Group only comprises of ordinary shares.

As at 30 June 2018, the Company's issued share capital was HK$12,320,000 and the number of its issued ordinary shares was 1,232,000,000 of HK$0.01 each.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premises and director's quarter. The Group's operating lease commitments amounted to approximately HK$6.6 million as at 30 June 2018 (31 December 2017: approximately HK$3.6 million).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in Note 4 of the Notes to the unaudited condensed consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2018, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

On 3 August 2018, the Company entered into a conditional sale and purchase agreement with Mr. Gao, to acquire 51% of the equity interest in 上饒市達飛金融信息服務有限公司, a company established in the PRC with limited liability, at a consideration of RMB1.00. Upon the completion of the acquisition, 上饒市達飛金融信息服務有限公司 has become an indirect non-wholly owned subsidiary of the Company. Please refer to the announcement issued by the Company on 6 August 2018 for more details.

Save as disclosed above during the Relevant Period, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

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.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, the Group pledged its bank deposits of approximately HK$33.1 million (31 December 2017: approximately HK$36.0 million) to banks and insurance companies to secure a guarantee line for issuing surety bonds and general banking facilities with an amount of approximately HK$112.8 million (31 December 2017: approximately HK$117.4 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 211 employees (30 June 2017: 216 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$43.3 million for the six months ended 30 June 2018 (30 June 2017: approximately HK$44.0 million). Remuneration was determined with reference to market terms and the performance, qualification and experience of each 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, interests or short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Company's shares

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

Notes:

1. Mr. Gao beneficially owns the entire issued share capital of Gentle Soar Limited ("Gentle Soar") and is deemed, or taken to be, interested in all the shares of the Company held by Gentle Soar for the purposes of the SFO. Mr. Gao Yunhong was appointed as an executive Director on 5 January 2018 and is the chairman of the Board.

2. Mr. Ng Kin Siu beneficially owns the entire issued share capital of Masterveyor Holdings Limited ("Masterveyor") and is deemed, or taken to be, interested in all the shares of the Company held by Masterveyor for the purposes of the SFO. Mr. Ng Kin Siu is an executive Director and the chief executive of the Company.

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2018, the interest and short positions of the persons (other than the Directors or chief executive of the Company) or companies which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held/ interested in	Long/ short position	Percentage of total issued share capital of the Company
Gentle Soar Limited	Beneficial owner	862,400,000	Long	70%
Ms. Wong Chai Lin *(Note 1)*	Interest of spouse	61,600,000	Long	5%
Masterveyor	Beneficial owner	61,600,000	Long	5%

Note:

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

Save as disclosed above, as at 30 June 2018 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" section above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

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

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

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 period from 1 January 2018 to 5 January 2018, 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 roles of chairman and chief executive are no longer performed by the same individual and there is clear division of responsibilities between the chairman and chief executive of the Company.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code by the Company during the Relevant Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in the Model Code. 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 Relevant Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period.

SHARE OPTION SCHEME

The share option scheme (the "Scheme") is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions of the Directors and other employees who have made valuable contributions to the Group. The Scheme of the Company was adopted on 16 September 2015 (the "Adoption"). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 30 June 2018.

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

(A) PURPOSE

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

(i) to motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) to attract and to retain or otherwise to maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(B) THE PARTICIPANTS OF THE SCHEME

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

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

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

(C) MAXIMUM NUMBER OF SHARES

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 123,200,000 shares, unless the Company obtains a fresh approval.

(D) MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

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

(E) PRICE OF SHARES

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

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

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

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

EVENTS AFTER REPORTING PERIOD

On 4 July 2018, Jet Speed Asia Pacific Limited ("Jet Speed"), an indirect wholly-owned subsidiary of the Company, entered into a placing letter with a placing agent whereby Jet Speed has agreed to subscribe 137,740,000 shares of CMBC Capital Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1141, "CMBC Capital") at a subscription price of HK$0.363 per share (the "Subscription") The Subscription was completed on 20 July 2018. CMBC Capital is principally engaged in securities business, investment and financing and asset management and advisory business. Jet Speed acquired the shares of CMBC Capital for investment purpose and will be recorded as available-for-sale financial assets of the Company.

The Subscription of CMBC Capital's shares represented approximately 0.30% of the enlarged issued share capital of CMBC Capital. The aggregate consideration of the Subscription Shares was HK$50,003,469.97 (including transaction costs), which has been paid in cash and financed by the Company's internal resources and a shareholder loan from Gentle Soar Limited ("Gentle Soar"), the substantial shareholder of the Company, in the principal amount of HK$50,000,000.00 (the "Shareholder Loan"). The Shareholder Loan is unsecured and no security over the assets of the Group will be granted to Gentle Soar. The term of the Shareholder Loan is one year commencing from the 20 July 2018 and is free of interest.

The Board are of the view since the Shareholder Loan was advanced into after arm's length negotiation between Jet Speed and Gentle Soar and determined on normal commercial terms or better and the Shareholder Loan are not secured by any asset or guarantee of the Group, the Shareholder Loan and the transactions contemplated thereunder are fully exempted from shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

Save as the acquisition of 上饒市達飛金融信息服務有限公司, the Subscription and Shareholder Loan as disclosed above and the appointment of Mr. Lu Xin as an executive Director and the resignation of Ms. Zhu Wenhui as an executive Director both with effect from 18 July 2018, there is no other important event affecting the Group which have occurred since 30 June 2018 and up to the date hereof.

AUDIT COMMITTEE

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

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

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

Hong Kong, 29 August 2018

As at the date of this report, the executive Directors are Mr. Gao Yunhong, Mr. Qi Gang, Mr. Lu Xin 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.